

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



Date: January 1, 2024

**The Issuer**

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Name:	First Circle Mortgage Investment Corporation (the "Issuer")
Head office:	Address: Suite 401 – 224 West Esplanade, North Vancouver, BC Phone #: 604-986-3200 Website: <a href="http://www.firstcircle.ca">www.firstcircle.ca</a> Email: <a href="mailto:invest@firstcircle.ca">invest@firstcircle.ca</a>
Currently listed or quoted?	<b>These securities do not trade on any exchange or market.</b>
Reporting issuer?	No.

**The Offering**

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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:	<b>There is no minimum or maximum offering. You may be the only purchaser.</b>
Minimum subscription amount:	\$25,000. The Issuer reserves the right to lower the minimum subscription amount for each investor at its discretion.
Payment terms:	The subscription price for shares being purchased is payable in full by the closing date. See Item 5.3.
Proposed closing date(s):	None – this is a continuous offering.
Income tax consequences:	There are important tax consequences to these securities. See Item 8.
Insufficient funds:	<b>Funds available under the offering may not be sufficient to accomplish the proposed objectives. See Item 2.6.</b>
Compensation paid to sellers and finders:	A person has received or will receive compensation for the sale of securities under this offering. See Item 9.
Resale restrictions:	You will be restricted from selling your securities for an indefinite period. See Item 12.
Conditions on repurchases:	You will have a right to require the Issuer to repurchase its securities from you, but this right is qualified by certain reductions in price depending on the redemption date; restrictions on the Issuer's ability to redeem your securities in order to maintain its status as a mortgage investment corporation; and a \$250 transaction fee for each redemption. As a result, you might not receive the amount of proceeds that you want. See Item 5.1.
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 a right to damages or to cancel the agreement. See Item 13.
Redemption or Retraction Right	You will have a right to require the Issuer to repurchase its securities from you, but this right is qualified by certain reductions in price depending on the redemption; restrictions on the Issuer's ability to redeem your securities in order to maintain its status as a mortgage investment corporation; and a \$250 transaction fee for each

redemption. As a result, you might not receive the amount of proceeds that you want.  
See Item 5.1.

**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.**

## TABLE OF CONTENTS

Item 1	Use of Available Funds .....	1
1.1	Funds.....	1
1.2	Use of Available Funds.....	1
Item 2	Business of the Issuer and Other Information and Transactions .....	1
2.1	Structure .....	1
2.2	Our Business .....	2
2.3	Development of Business .....	5
2.4	Long Term Objectives.....	5
2.5	Short Term Objectives and How the Issuer Intends to Achieve Them .....	5
2.6	Insufficient Funds.....	6
2.7	Material Contracts.....	6
Item 3	Compensation and Security Holdings of Certain Parties .....	7
3.1	Compensation and Securities Held.....	7
3.2	Management Experience .....	8
3.3	Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters .....	10
3.4	Certain Loans .....	11
Item 4	Capital Structure .....	11
4.1	Securities Except for Debt Securities.....	11
4.2	Long Term Debt.....	11
4.3	Prior Sales .....	11
Item 5	Securities Offered .....	12
5.1	Terms of Securities.....	12
5.2	Subscription Qualification .....	13
5.3	Subscription Procedure.....	14
Item 6	Redemption and Retraction History.....	14
Item 7	Certain Dividends and Distributions.....	15
Item 8	Income Tax Consequences and RRSP Eligibility.....	15
8.1	Consult Professionals .....	15
8.2	General Description of Income Tax Consequences.....	15
8.3	Eligibility for Investment by Deferred Income Plans .....	16
Item 9	Compensation Paid to Sellers and Finders .....	17
Item 10	Risk Factors .....	17
10.1	Investment Risks.....	17
10.2	Issuer Risks .....	18
10.3	Real Estate Industry and Related Risks.....	19
Item 11	Reporting Obligations .....	19
Item 12	Resale Restrictions .....	20
Item 13	Purchaser's Rights.....	20
13.1	Statements Regarding Purchasers' Rights .....	20
13.2	Cautionary Statement Regarding Report, Statement or Opinion by Expert .....	31
Item 14	Financial Statements .....	32
Item 15	Date and Certificate .....	33

## 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 Minimum Offering <sup>(1)</sup>	Assuming Maximum Offering <sup>(1)</sup>
A	Amount to be raised by this Offering	N/A	N/A
B	Selling commissions and fees <sup>(2)</sup>	N/A	N/A
C	Estimated Offering costs <sup>(3)</sup>	N/A	N/A
D	Available funds: $D = A - (B+C)$	N/A	N/A
E	Additional sources of funding required <sup>(4)</sup>	N/A	N/A
F	Working capital deficiency <sup>(5)</sup>	N/A	N/A
G	Total: $G = (D+E) - F$	N/A	N/A

- (1) There is no minimum offering or maximum offering.
- (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. See Item 2.7(4).
- (3) Estimated legal, accounting, audit and other administrative costs for this Offering are \$5,000.
- (4) The Issuer may draw on its credit facility if additional funding is required. See Item 2.7(2).
- (5) The Issuer does not expect any working capital deficiency.

### 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 Minimum Offering <sup>(1)</sup>	Assuming Maximum Offering <sup>(1)</sup>
Investment in mortgages <sup>(2)</sup>	N/A	N/A
Operating expenses <sup>(3)</sup>	N/A	N/A
Total: Equal to G in the Funds table above	N/A	N/A

- (1) There is no minimum offering or maximum offering.
- (2) Available funds not immediately invested or otherwise required for operating expenses will generally be used to repay borrowings or held in cash or deposits with approved depositories. See Item 2.2.
- (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.

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

## Item 2 Business of the Issuer and Other Information and Transactions

### 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 “Tax Act”). 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

### (a) General

The Issuer’s business is to obtain a stable source of income by investing in a portfolio of residential, construction, and other mortgages, while maintaining its qualification as a MIC under Section 130 of the Tax Act. The Issuer’s principal investments are mortgages on residential properties in Canada with an emphasis on the southwestern region of British Columbia. The mortgages are funded primarily by a combination of share capital and debt. The investments will be limited to those authorized by a MIC under the Tax Act, and can be generally categorized 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 have terms 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.

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 1331172 B.C. Ltd. (which is controlled 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; William A. Trojan, Director; Rex J. McLennan, Director; Colin Dreyer, Director; Stephen T. Cross, Vice President, Mortgage Lending and Operations; Jason H. Parlee, Vice President, Mortgage Lending; and Matthew M. Harrop, Vice President, Finance. For the biographies of the Manager’s directors and officers, please see Item 3.2.

**(b) Taxation and Dividends**

Under the Tax Act, MICs are permitted to deduct, from taxable income, dividends paid to shareholders during the year or within 90 days of the end of the year to the extent the dividends were not deducted previously. To qualify as a MIC and receive this favourable tax treatment, the Issuer pays a monthly dividend plus a quarterly top up dividend that distributes all of the Issuer's net income and taxable capital gains to our shareholders. These distributions are taxed as interest income, not as dividends, in the hands of our preferred 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 in a given year. See Item 8 for information regarding the tax treatment of income received from a MIC.

**(c) Investment Objectives and Policies**

The Issuer's investment and lending policies are as follows:

1. At least 50% of the assets of the Issuer will be invested in residential mortgages, residential construction mortgages, or held in cash or deposits with approved depositories.
2. No more than 25% of the Issuer's assets will be invested in industrial and commercial mortgages.
3. No more than 30% of the Issuer's assets will be invested in second mortgages.
4. Investments of the Issuer will be made primarily in the southwestern area of British Columbia.
5. 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.
6. The Issuer will require a current appraisal prepared by an accredited appraiser with every mortgage application. Generally, mortgages will not exceed 75% of the appraised value at origination.

The Issuer's directors and officers are collectively responsible for establishing and implementing the Issuer's investment objectives and investment strategy, setting any limitations or restrictions on investments, monitoring the performance of the portfolio, and making any adjustments to the Issuer's portfolio. For a list of the Issuer's directors and officers, and more information about them, please see Item 3.2.

(d) **Portfolio Summary**

The following table provides a description of the Issuer's mortgage portfolio as at September 30, 2023:

Average of the interest rates payable under the mortgages, weighted by the principal amount of the mortgages: 10.98%

Average of the terms to maturity of the mortgages, weighted by the principal amount of the mortgages: 1.04 years

Average loan-to-value ratio of the mortgages, weighted by the principal amount of each mortgage: 54.1%

Principal amount, and the percentage of the total principal amount of the mortgages, that rank in the following:			
First priority	\$181.6 million		93.9%
Second priority	\$11.3 million		5.9%
Third or lower priority	\$0.5 million		0.3%

Principal amount, and the percentage of the total principal amount of the mortgages by each jurisdiction of Canada, each state or territory of the United States and each other foreign jurisdiction:			
	BC	\$193.4 million	100%

Breakdown by property type, and the principal amount, and the percentage of the total principal amount of the mortgages, that is attributable to each property type:			
	Residential	\$126.8 million	65.6%
	Commercial	\$28.1 million	14.5%
	Construction	\$24.3 million	12.6%
	Land	\$14.2 million	7.3%

With respect to mortgages that will mature in less than one year, the percentage that those mortgages represent of the total principal amount of the mortgages: 32.5%

With respect to mortgages with payments more than 90 days overdue, the number of those mortgages, the principal amount of those mortgages, and the percentage that those mortgages represent of the total principal amount of the mortgages: 10 mortgages, Aggregate principal amount: \$11.0 million 5.7% of total principal amounts

With respect to mortgages that have an impaired value, the principal amount and the percentage that those mortgages represent of the total principal amount of the mortgages: 10 mortgages, Aggregate principal amount: \$11.0 million 5.7% of total principal amounts

For any mortgages that are not impaired or in default, but for which the Issuer has made accommodations to respond to financial difficulties of the borrower, a summary of the accommodations, and the principal amount and the percentage that those mortgages represent of the total principal amount of the mortgages: Not applicable

Disclose any mortgage which comprises 10% or more of the total principal amount of the mortgages: None



## 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. (“FCFS”), to make mortgage commitments on behalf of the Issuer within predetermined criteria consistent with the Issuer’s investment policies. FCFS 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.

### (a) Portfolio Performance

The table below shows the Issuer’s compounded annual rate of return for the last 10 fiscal years. The compounded annual rate of return is derived by taking the Issuer’s adjusted net income for the fiscal year and dividing it by the weighted average number of Preferred Shares outstanding for that year. You are cautioned that past performance does not predict future returns.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Annual Rate of Return	7.24%	7.32%	7.33%	7.53%	8.67%	8.36%	7.65%	6.44%	7.02%	9.81%

The Issuer achieved revenues of \$19.4 million for the year ended September 30, 2023, an increase of 44% over the level of \$13.5 million reported for the prior year. Operating income for the year ended September 30, 2023 was \$13.2 million, an increase of 52% compared to \$8.7 million for the prior year. Dividends distributed during the year were \$0.9760 per preferred share (a yield of 9.76%), up from the prior year’s distribution of \$0.6973 per preferred share (a yield of 6.97%).

As of September 30, 2023, the Issuer’s capital stock stood at \$143.3 million, representing growth of 14% over the prior year’s level of \$125.5 million. Growth in Preferred Share capital was comprised of \$15.5 million in new share subscriptions plus \$7.9 in dividend reinvestments less \$5.6 million in share redemptions.

## 2.4 Long Term Objectives

The Issuer’s long-term objectives are to:

- (a) preserve shareholder capital;
- (b) generate a return for preferred shareholders that is superior to those of term deposits, guaranteed investment certificates and money market funds;
- (c) maintain and grow the Issuer’s portfolio of high-quality mortgages; and
- (d) continue to qualify as a mortgage investment corporation pursuant to the Tax Act.

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 Issuer’s principal short-term objective is to use the funds available to it, including funds available as a result of the Offering, to invest in mortgage loans within the risk appetite specified by the Issuer’s existing lending policies. The following table sets out the objectives, the timelines and the expected costs to complete the short-term objectives for the next twelve months:

Actions to be Taken	Target Completion Date or, If Not Known, Number of Months to Complete	Cost to Complete
Continue raising capital	December 31, 2024	\$5,000 <sup>(1)</sup>

(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 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.

## 2.7 *Material Contracts*

1. **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:

- originating and administering mortgages and other security interests in real property;
- providing financial services for the operation of the Issuer including recordkeeping, reporting, negotiating and maintaining banking relationships; and
- 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, Rex J. McLennan, Colin Dreyer, Stephen T. Cross, Jason H. Parlee, and Matthew M. Harrop are also Officers and Directors of the Issuer. For more information about the Manager, see Item 2.2.

2. **Loan Agreement** – On May 9, 2022, the Issuer entered into a syndicated revolving loan agreement with the Bank of Montreal and Canadian Western Bank (collectively the “Lenders”) with a limit of \$85,000,000. The loan is secured by a General Security Agreement representing a first charge on all of the Issuer’s assets and undertakings, as well as full liability guarantees from related parties of the Issuer. The Lenders charge the Issuer interest at a rate of Prime + 0.60% on variable term loans and CDOR + 2.00% on fixed term loans; they also levy a standby charge of 0.25% per annum on the undrawn portion of the operating facility.
3. **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.
4. **Agency Agreement** – Under an agency agreement with the Issuer dated December 29, 2019 and amended June 10, 2022, FrontFundr Financial Services Inc. (“FrontFundr”) agreed to assist the Issuer with its Offering by introducing and qualifying subscribers, in addition to providing services normally provided by an Exempt Market Dealer. FrontFundr will be compensated for its services with a trade fee equal to 0.75% of the gross proceeds raised from any subscriber investing \$99,999 and under, and a trade fee equal to 0.50% of the gross proceeds raised from any subscriber investing above \$100,000 and below \$999,999, and a trade fee equal to 0.35% of the gross proceeds raised from any subscriber investing over \$1,000,000. Advisory fees may also be paid to FrontFundr in addition to the trade fees.

### Item 3 Compensation and Security Holdings of Certain Parties

#### 3.1 Compensation and Securities Held

The following table provides information about each director, officer and promoter of the Issuer, as well as 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”).

Full legal name and place of 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 expected to be paid in the current financial year*	Number, type and percentage of securities of the Issuer held after completion of minimum offering	Number, type and percentage of securities of the Issuer held after completion of maximum offering
Alan Patrick Cross, North Vancouver, BC	President and Director (2006)	Most recently completed financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.67%	1,250 Common Shares – 6.67%
Colin Dreyer, Langley, BC	Director (2018)	Most recently completed financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.67%	1,250 Common Shares – 6.67%
Murray Albert Braaten, Vancouver, BC	Secretary and Director (2006)	Most recently completed financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.67%	1,250 Common Shares – 6.67%

Full legal name and place of 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 expected to be paid in the current financial year*	Number, type and percentage of securities of the Issuer held after completion of minimum offering	Number, type and percentage of securities of the Issuer held after completion of maximum offering
Rex John McLennan, Vancouver, BC	Director (2015)	Most recently completed financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.67%	1,250 Common Shares – 6.67%
William Arthur Trojan, White Rock, BC	Director (2014)	Most recently completed financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.67%	1,250 Common Shares – 6.67%
Stephen Thomas Cross, North Vancouver, BC	President (2023)	Most recently completed financial year: NIL Current financial year: NIL	NIL	NIL
Jason Hamilton Parlee, Vancouver, BC	Vice President, Mortgage Lending (2017)	Most recently completed financial year: NIL Current financial year: NIL	1,250 Common Shares – 6.67%	1,250 Common Shares – 6.67%
Matthew Morgan Harrop, North Vancouver, BC	Vice President, Finance (2023)	Most recently completed financial year: NIL Current financial year: NIL		

\* 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.

### 3.2 Management Experience

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

Full Legal Name	Principal Occupation and Description of Experience Associated with the Occupation
<b>Alan P. Cross</b>	<p>CEO, First Circle Financial Services Ltd. (2023 to present) President, First Circle Financial Services Ltd. (1991 to 2023)</p> <p>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 President of the Issuer and active with 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.</p>

Full Legal Name	Principal Occupation and Description of Experience Associated with the Occupation
<b>Colin Dreyer</b>	<p>President, Clarke Rodgers Development Corp. (2017 to present)</p> <p>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 230 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.</p>
<b>Murray A. Braaten</b>	<p>Partner, Gowling WLG (Canada) LLP (2017 to present)</p> <p>Murray Braaten is a partner in Gowling WLG's Vancouver office. He has extensive experience in the areas of commercial real estate, residential and commercial real estate development, resort development and finance. He also has experience in the areas of restructuring, foreclosure and realization law. His clients include some of British Columbia's most successful and prominent development companies, lending institutions and community groups. Murray also has extensive experience with mortgage investment corporations. Murray has been an instructor and guest lecturer for both the Canadian Bar Association and the Continuing Legal Education program. Prior to joining Gowling WLG, Murray was the managing partner of one of Vancouver's most successful real estate firms for 25 years.</p>
<b>Rex J. McLennan</b>	<p>Director, Pinnacle Renewable Energy (2019 to 2021)  Director, Endeavour Silver Corp. (2007 to present)</p> <p>Rex J. McLennan is an experienced independent corporate director and former senior executive, having served on many public and private company boards over the past 15 years, with a professional and executive career spanning over 35 years. His roles included C-level executive positions serving as Chief Financial Officer for Viterro Inc, prior to its acquisition by Glencore PLC in 2012, and Placer Dome, a global mining company acquired by Barrick Gold in 2006. These positions followed his earlier 12-year career with Imperial Oil, a major subsidiary of Exxon Corp. He is currently the independent Chairman of Endeavour Silver Corp and chairs its Corporate Governance &amp; Nominating Committee; having previously served as Endeavour's Lead Director and Audit Committee Chair. As an independent director, he held prior roles chairing the audit committees of a number of publicly traded companies including Pinnacle Renewable Energy Inc, Boart Longyear Ltd, Zincore Metals Inc and European Uranium Resources Ltd. He is also a past director of the World Gold Council, London UK. Mr. McLennan holds a Master of Business Administration from McGill University in Finance/Accounting and a Bachelor of Science in Mathematics/Economics from the University of British Columbia. He also holds the ICD.D designation from the Institute of Corporate Directors.</p>
<b>William A. Trojan</b>	<p>Retired</p> <p>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,</p>

Full Legal Name	Principal Occupation and Description of Experience Associated with the Occupation
	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.
<b>Stephen T. Cross</b>	<p>President, FCFS, (2023 to present)  Vice President, Mortgage Lending and Operations, FCFS (2011 to 2023)</p> <p>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 the Issuer and FCFS in 2011 and currently serves as President of the Issuer and Vice President, Mortgage Lending and Operations of FCFS. In this capacity he sets the strategic goals for the company and manages day-to-day business operations. Stephen is a proud member of the Mortgage Brokers Association of British Columbia and Mortgage Professionals Canada.</p>
<b>Jason H. Parlee</b>	<p>Vice President, Mortgage Lending, FCFS (2015 to present)</p> <p>Jason H. Parlee has spent most of his 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 and currently holds the position of Vice President, Mortgage Lending. Jason is passionate about providing lending solutions to the broker community.</p>
<b>Matthew M. Harrop</b>	<p>Vice President, Finance, FCFS (2023 to present)  AVP, Finance, BlueShore Financial (2022 to 2023)  Director, Financial Planning &amp; Analysis, BlueShore Financial (2019 to 2022)</p> <p>Matthew M. Harrop ("Morgan") is a Chartered Professional Accountant and holds a BA Honours from Acadia University and an MA from Simon Fraser University. He started his career with KPMG before leaving his role as a Senior Accountant to join Zafin, a global financial technology company, as Controller in 2017. Morgan was promoted to Director of Finance at Zafin before joining BlueShore Financial, a boutique credit union, in 2019 as Director of Financial Planning &amp; Analysis. He served as a member of both the Asset-Liability and Pricing Committees during his time at BlueShore. Morgan became AVP Finance of BlueShore in 2022 before joining FCFS in 2023 as Vice President, Finance.</p>

### **3.3 Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters**

There are no penalties or other sanctions imposed by a court or regulatory body relating to a contravention of securities legislation, or any order restricting that trading in securities, not including an order that was in effect for less than 30 consecutive days, that occurred during the 10 years preceding the date of this Offering Memorandum against: (i) a director, executive officer or control person of the Issuer; or (ii) an issuer of which any of the foregoing persons was a director, executive officer or control person at the relevant time.

There are no declarations of bankruptcy, voluntary assignments in bankruptcy, proposals under bankruptcy or insolvency legislation, proceedings, arrangements or compromises with creditors or appointments of a receiver, receiver manager or trustee to hold assets, that occurred during the 10 years preceding the date of this Offering Memorandum with regard to any: (i) director, executive officer or control person of the Issuer; or (ii) issuer of which any of the foregoing persons was a director, executive officer or control person at the relevant time.

None of the Issuer or a director, executive officer or control person of the Issuer have pled guilty to or been found guilty of: (i) a summary conviction or indictable offence under the *Criminal Code* (Canada); (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction; (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America; or (iv) an offence under the criminal legislation of any other foreign jurisdiction.

### 3.4 Certain Loans

As of the date hereof, 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 Securities Except for Debt Securities

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 September 30, 2023	Number outstanding after minimum offering <sup>(1)</sup>	Number outstanding after maximum offering <sup>(1)</sup>
Common Shares	1,000,000	\$ 0.20	17,500	17,500	17,500
Preferred Shares	20,000,000	\$ 10.00	14,327,670	≥14,327,670	≥14,327,670

(1) There is no minimum offering or maximum offering.

### 4.2 Long Term Debt

The Issuer has an \$85 million syndicated credit facility, the key terms of which are presented in the table below and discussed further in detail in Item 2.7.

Description of Debt	Interest Rate	Repayment Terms	Amount outstanding on September 30, 2023
Secured credit facility	Prime + 0.60% on the Issuer's variable term loans and CDOR + 2.00% on the Issuer's fixed term loans	May 9, 2024 unless extended by the parties	\$49,358,789

### 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
January 31, 2023	Preferred Shares	351,596	\$10.00	\$3,515,960

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
April 25, 2023	Preferred Shares	350,113	\$10.00	\$3,501,130
May 1, 2023	Preferred Shares	116,855	\$10.00	\$1,168,550
May 15, 2023	Preferred Shares	48,397	\$10.00	\$483,970
June 1, 2023	Preferred Shares	224,476	\$10.00	\$2,244,760
June 15, 2023	Preferred Shares	18,792	\$10.00	\$187,920
July 1, 2023	Preferred Shares	18,500	\$10.00	\$185,000
August 1, 2023	Preferred Shares	7,000	\$10.00	\$70,000
August 16, 2023	Preferred Shares	30,000	\$10.00	\$300,000
September 1, 2023	Preferred Shares	15,691	\$10.00	\$156,910
September 15, 2023	Preferred Shares	57,407	\$10.00	\$574,070
October 1, 2023	Preferred Shares	33,070	\$10.00	\$330,700
October 15, 2023	Preferred Shares	8,320	\$10.00	\$83,200
November 1, 2023	Preferred Shares	31,104	\$10.00	\$311,040
November 15, 2023	Preferred Shares	40,635	\$10.00	\$406,350
December 1, 2023	Preferred Shares	91,807	\$10.00	\$918,070
December 15, 2023	Preferred Shares	63,775	\$10.00	\$637,750

## Item 5 Securities Offered

### 5.1 Terms of Securities

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.

- (a) **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.
- (b) **Dividend Entitlement** – Dividends are payable in cash and can be reinvested in Preferred Shares, at the election of the Issuer's shareholders.
- (c) **Redemption and Retraction Rights** – Holders of Preferred Shares wishing to redeem any shares must give written notice (a "Redemption Notice") to the Issuer setting forth the number of Preferred Shares to be redeemed. Such Redemption Notices will be reviewed no less than four times per year at quarterly Board meetings. The Issuer may also, upon giving notice in accordance with its Articles and subject to the provisions of the Business Corporations Act, redeem at any time all or some of the Preferred Shares.

As set out in the Issuer's Articles, the redemption price for a Preferred Share shall be the amount paid up thereon plus any declared but unpaid dividends for such share (the "Redemption Price"), subject to reduction in the following cases:

Date of Redemption Notice	Amount to be Paid on Redemption*
on or before the 1 <sup>st</sup> anniversary of the share's issuance date	Redemption Price less 2%



on or before 2 <sup>nd</sup> anniversary of the share's issuance date, but after the 1 <sup>st</sup> anniversary of the share's issuance date	Redemption Price less 1%
on or before 3 <sup>rd</sup> anniversary of the share's issuance date, but after the 2 <sup>nd</sup> anniversary of the share's issuance date	Redemption Price less 0.5%

\* The reductions in the Redemption Price shown in this table do not apply to Preferred Shares purchased before January 15, 2014.

Each redemption is subject to a \$250 transaction fee, to be deducted from the proceeds of the repurchase.

In the event the Issuer does not have sufficient funds to honour all redemption requests at a particular point in time, the order in which the redemption requests will be fulfilled shall be based on the time that the Redemption Notice was received and the amount for which funds are 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 Tax Act.

The table below illustrates how the redemption amount is calculated for some sample requests:

Number of Shares Being Redeemed	Period Held	Amount Paid Up for Shares	Declared But Unpaid Dividends	Redemption Amount
10,000	6 months	\$100,000	\$7,000	$(\$107,000 \times 0.98) - \$250 = \$104,610$
10,000	1.5 years	\$100,000	\$7,000	$(\$107,000 \times 0.99) - \$250 = \$105,680$
10,000	2.5 years	\$100,000	\$7,000	$(\$107,000 \times 0.995) - \$250 = \$106,215$
10,000	5 years	\$100,000	\$7,000	$\$107,000 - \$250 = \$106,750$

- (d) **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.
- (e) **Constraints on Transferability and Restrictions on Resale** – Section 130.1(6)(d) of the Tax Act 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 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. 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 all provinces and territories of Canada except Ontario and Quebec.

The Offering is being made in accordance with certain statutory registration and prospectus exemptions contained in each province or territory's securities legislation. Such exemptions relieve the Issuer from provisions under such statutes requiring the Issuer to file a prospectus. As such, you will not receive 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 12.**

### **5.3 Subscription Procedure**

Investors wishing to purchase Preferred Shares should do the following:

- (a) Visit the campaign page on FrontFundr’s website ([www.smvcapitalmarkets.com/firstcirclemic](http://www.smvcapitalmarkets.com/firstcirclemic)), 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.
- (b) 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 13.

The Issuer anticipates that there will be multiple closings. The Issuer anticipates completing and closing the Offering on or prior to December 31, 2024. The Offering may be closed on an earlier or later date as determined 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 in trust for at least 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 10.**

### **Item 6 Redemption and Retraction History**

The tables below set out the redemption history of the Issuer’s Preferred Shares.

<b><i>Fiscal Year ended September 30, 2021</i></b>	<b><u>Number of Shares</u></b>	<b><u>Value (\$)</u></b>
Unpaid redemption requests, beginning of fiscal year	0	\$0
Redemption requests	816,525	\$8,165,252
Redemption paid out	816,525	\$8,165,252
Unpaid redemption requests, end of fiscal year	0	\$0

<b><i>Fiscal Year ended September 30, 2022</i></b>	<b><u>Number of Shares</u></b>	<b><u>Value (\$)</u></b>
Unpaid redemption requests, beginning of fiscal year	0	\$0

Redemption requests	656,062	\$6,560,618
Redemption paid out	656,062	\$6,560,618
Unpaid redemption requests, end of fiscal year	0	\$0

<i>Period from October 1, 2022 to September 30, 2023</i>	<u>Number of Shares</u>	<u>Value (\$)</u>
Unpaid redemption requests, beginning of period	0	\$0
Redemption requests	559,703	\$5,597,033
Redemption paid out	559,703	\$5,597,033
Unpaid redemption requests, end of period	0	\$0

#### **Item 7 Certain Dividends and Distributions**

The Issuer has not paid dividends or distributions that exceeded cash flow from operations.

#### **Item 8 Income Tax Consequences and RRSP Eligibility**

##### **8.1 Consult Professionals**

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

##### **8.2 General Description of Income Tax Consequences**

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 its 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.

### **8.3 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 9 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, not out of the subscription proceeds provided by investors, and as such will not impact investor returns. See also Item 2.7(4) for a description of the Issuer’s agreement with FrontFundr.

#### **Item 10 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.

##### **10.1 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(c).

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 12.

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.

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 8.

## **10.2 Issuer Risks**

The Issuer has been in operation since November 2005, with audited financial 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 engaged in other business activities. See Item 3.

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 pursuing, may cease to be qualified investments for Deferred Income Plans. See Item 8.

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 profitability 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.

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.

### **10.3 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 southwestern 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 are and will continue to 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 when 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 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 11 Reporting Obligations**

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

Since it is not a reporting issuer in British Columbia or any other jurisdiction, the Issuer is not subject to continuous disclosure obligations under securities legislation. The Issuer's annual audited financial statements will be made available to shareholders in accordance with the provisions of the *Business Corporations Act* (British Columbia) and other applicable laws as they may apply from time to time.

Certain corporate and securities information about the Issuer is available at the BCSC website at [www.bcsc.bc.ca](http://www.bcsc.bc.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Item 12 Resale Restrictions**

If you purchase the Issuer's securities, 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.

For investors residing in Manitoba, unless permitted under securities legislation, you must not trade in the Issuer's securities without the prior written consent of the regulator in Manitoba unless: (a) the Issuer has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or (b) you have held the securities for at least 12 months. The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

## **Item 13 Purchaser's Rights**

### **13.1 Statements Regarding Purchasers' Rights**

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

The following summaries of investors' legal rights are subject to the express provisions of the securities laws of the applicable province or territory in which the investor is resident. You are cautioned to review the actual text of the provisions for a complete understanding of the rights provided by such securities laws. The rights of action described below are in addition to, and without derogation from, any other right or remedy available at law that an investor may have.

As used herein, except where otherwise specifically defined, "misrepresentation" means either an untrue statement of a material fact, or an omission to state a material fact that is required to be stated or is necessary to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made. A "material fact" is a fact that significantly affects, or would reasonably be expected to significantly affect, the market price or value of the Issuer's securities.

#### ***For All Jurisdictions***

*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.

#### ***British Columbia***

Section 132.1 of the *Securities Act* (British Columbia) provides that if an offering memorandum, such as this Offering Memorandum, together with any amendment hereto, is delivered to a purchaser resident in British Columbia who purchases Preferred Shares in reliance on the "offering memorandum" prospectus exemption set out in section 2.9 of National Instrument 45-106 and contains a misrepresentation and it was a misrepresentation at the time of purchase, the purchaser will be deemed to have relied upon the misrepresentation and will have a right of action against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum for damages or, alternatively, while still the owner of the Preferred Shares, for rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; or



- (ii) for damages more than the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of purchase;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the Preferred Shares with knowledge of the misrepresentation;
- (c) no person or company (but excluding the Issuer) will be liable if the person or company proves that (i) the offering memorandum was delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave written notice to the Issuer that it was delivered without the person's or company's knowledge or consent, (ii) on becoming aware of any misrepresentation in the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum and gave written notice to the Issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (d) no person or company (but excluding the Issuer) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of expert unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation;
- (e) no person is liable for a misrepresentation in forward-looking information if the person proves that
  - (i) the offering memorandum containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and
  - (ii) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
- (f) in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves does not represent the depreciation in value of the Preferred Shares as a result of the misrepresentation; and
- (g) in no case will the amount recoverable exceed the price at which the Preferred Shares were sold to the purchaser.

### **Alberta**

Section 204 of the *Securities Act* (Alberta) provides that where an offering memorandum, such as this Offering Memorandum, together with any amendment to it, is delivered to a purchaser resident in Alberta, in connection with the distribution of securities in reliance on the "offering memorandum" prospectus exemption set out in section 2.9 of National Instrument 45-106 or the "minimum amount investment" or "\$150,000 investment" prospectus exemption in section 2.10 of National Instrument 45-106, and contains a misrepresentation, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum for damages or, alternatively, for rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; or
  - (ii) for damages more than the earlier of (A) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (B) three years from the date of purchase;

- (b) no person or company will be liable if the person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) no person or company (but excluding the Issuer) will be liable if the person or company proves that (i) the offering memorandum was delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable notice to the Executive Director of the Alberta Securities Commission and the Issuer that it was delivered without the person's or company's knowledge or consent, (ii) after the sending of the offering memorandum and before the purchase of the Preferred Shares, on becoming aware of any misrepresentation in the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the Executive Director of the Alberta Securities Commission and the Issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (d) no person or company (but excluding the Issuer) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of expert unless the person or company failed to conduct an investigation to provide reasonable grounds for a belief that there had been no misrepresentation, and believed that there had been a misrepresentation;
- (e) in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation; and
- (f) in no case will the amount recoverable exceed the price at which the securities were sold to the purchaser.

Under Section 205.1, a person or company is not liable in an action under section 204 for a misrepresentation in forward-looking information if the person or company proves:

- (a) the offering memorandum containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

### **Saskatchewan**

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "Saskatchewan Act") provides that where an offering memorandum, such as this Offering Memorandum, or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation, a purchaser who purchases a security covered by the offering memorandum or any amendment to it has, without regard to whether the purchaser relied on the misrepresentation, a right of action for rescission against the Issuer on whose behalf the distribution is made or has a right of action for damages against:

- (a) the Issuer;
- (b) every promoter and director of the Issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;

- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum, including the Manager; and
- (e) every person who or company that sells securities on behalf of the Issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the Issuer or selling security holder, it will have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- (c) no person or company, other than the Issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;
- (d) in no case will the amount recoverable exceed the price at which the securities were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the Issuer, will be liable if the person or company proves that:

- (a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered;
- (b) before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation, the person or company withdrew the person's or company's consent to the memorandum and gave reasonable general notice to the Issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Under section 139.1, no person or company is liable in an action under section 138 for a misrepresentation in forward-looking information if the person or company proves:

- (a) with respect to the document containing the forward-looking information, proximate to that information there is contained, reasonable cautionary language identifying the forward-looking information as such, identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by the Saskatchewan Act or its regulations.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action will be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of:
  - (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
  - (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(4) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

### **Manitoba**

Section 141.1 of the *Securities Act* (Manitoba) provides that if an offering memorandum, such as this Offering Memorandum, contains a misrepresentation a purchaser resident in Manitoba is deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action against the applicable Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person or company who signed the memorandum for damages, or alternatively, for rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission, more than 180 days after the date of the purchase; or
  - (ii) for damages, more than the earlier of (A) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (B) two years after the date of the purchase;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) no person or company (excluding the Issuer) will be liable if the person or company proves that (i) the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the Issuer that it was sent without the person's or company's knowledge and consent, (ii) on becoming aware of the misrepresentation, the person or company withdrew their respective consent to the offering memorandum and gave reasonable notice to the Issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the memorandum purporting to be made on the authority of an

expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that they had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, the expert's report or statement;

- (d) no person or company (excluding the Issuer) will be liable with respect to any part of the memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation;
- (e) in action for damages, a defendant will not be liable for any portion of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and
- (f) in no case will the amount recoverable exceed the price at which the securities were sold to the purchaser.

Under section 141.1.2, a person or company is not liable in an action under section 141.1 for a misrepresentation in forward-looking information if the person or company proves that:

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

### ***New Brunswick***

Section 150 of the *Securities Act* (New Brunswick) provides that if an offering memorandum, such as this Offering Memorandum, together with any amendment to it, delivered to a purchaser resident in New Brunswick contains a misrepresentation that was a misrepresentation at the time of purchase, the purchaser will be deemed to have relied on the misrepresentation and will have a right of action for damages against the Issuer, every person who was a director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum or, alternatively, while still the owner of the Preferred Shares, for rescission, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; or
  - (ii) for damages more than the earlier of (i) one year after the purchaser first had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of purchase;
- (b) the Issuer will not be liable if it proves that the purchaser purchased the Preferred Shares with knowledge of the misrepresentation;
- (c) in an action for damages, the Issuer will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Preferred Shares as a result of the misrepresentation relied upon; and
- (d) in no case will the amount recoverable exceed the price at which the Preferred Shares were sold to the investor.

Under section 154.1, a person is not liable under section 150 for a misrepresentation in forward-looking information if the person proves:

- (a) that the offering memorandum containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions

that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and

- (b) that the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

### **Nova Scotia**

Section 138 of the *Securities Act* (Nova Scotia) provides that, where an offering memorandum, such as this Offering Memorandum, together with any amendment to it or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)), contains a misrepresentation and it was a misrepresentation at the time of purchase, the purchaser resident in Nova Scotia will be deemed to have relied upon the misrepresentation and will have a right of action against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum (if applicable), for damages or, alternatively, while still the owner of the Preferred Shares, for rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action more than 120 days:
  - (i) after the date on which payment was made for the Preferred Shares; or
  - (ii) after the date on which the initial payment was made;
- (b) no person or company will be liable if the person or company proves that the investor purchased the Preferred Shares with knowledge of the misrepresentation;
- (c) no person or company (other than the Issuer) will be liable if the person or company proves that (i) the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent, (ii) after delivery of the offering memorandum and before the purchase of the Preferred Shares by the purchaser, on becoming aware of any misrepresentation in the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable general notice of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (d) no person or company (other than the Issuer) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert, or to be a copy, or an extract from, a report, opinion or statement of expert unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed that there had been a misrepresentation;
- (e) in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves does not represent the depreciation in value of the Preferred Shares as a result of the misrepresentation relied upon; and
- (f) in no case will the amount recoverable in any action exceed the price at which the Preferred Shares were sold to the investor.

Under section 139A, no person or company is liable under section 138 for a misrepresentation in forward-looking information if the person or company proves:

- (a) the document containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

### **Prince Edward Island**

Section 112 of the *Securities Act* (Prince Edward Island) provides that, where an offering memorandum, such as this Offering Memorandum, together with any amendment to it, are delivered to a purchaser resident in Prince Edward Island contains a misrepresentation and it was a misrepresentation at the time of purchase, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum (if applicable), for damages or, alternatively, while still the owner of the purchased Preferred Shares, for rescission against the Issuer, provided that:

- (a) no action will be commenced to enforce the foregoing rights:
  - (i) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
  - (ii) in the case of any action, other than an action for rescission, the earlier of (a) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of the action, or (b) three years after the date of the transaction that gave rise to the cause of the action;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the Preferred Shares with knowledge of the misrepresentation;
- (c) no person or company (other than the Issuer) will be liable if it proves that (i) the offering memorandum was delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company promptly gave reasonable notice that it was delivered without the person's or company's knowledge or consent, (ii) after the delivery of the offering memorandum and before the purchase of the Preferred Shares by the purchaser, on becoming aware of any misrepresentation in the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (d) no person or company (other than the Issuer) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation;
- (e) no person is liable for a misrepresentation in forward-looking information if:
  - (i) the offering memorandum containing the forward-looking information also contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward- looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward- looking information; and
  - (ii) the person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information;
- (f) in an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Preferred Shares as a result of the misrepresentation relied upon; and

- (g) in no case will the amount recoverable exceed the price at which the Preferred Shares were sold to the investor.

### ***Newfoundland and Labrador***

Section 130.1 of the *Securities Act* (Newfoundland and Labrador) provides that if an offering memorandum, such as this Offering Memorandum, together with any amendment to it or any record incorporated by reference in, or considered to be incorporated into an offering memorandum contains a misrepresentation and it was a misrepresentation at the time of purchase, a purchaser in the Province of Newfoundland and Labrador has, in addition to any other right that the purchaser may have under law and without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person or company who signed the offering memorandum (if applicable), for damages or, alternatively, while still the owner of the purchased Preferred Shares, for rescission against the Issuer (in which case the purchaser will cease to have a right of action for damages), provided that:

- (a) no action will be commenced to enforce the foregoing rights:
- (i) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
  - (ii) in the case of any action, other than an action for rescission, the earlier of: (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of the action; or (ii) three years after the date of the transaction that gave rise to the cause of the action;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the Preferred Shares with knowledge of the misrepresentation;
- (c) no person or company (other than the Issuer) will be liable if:
- (i) the person or company proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Issuer that it was sent without the knowledge and consent of the person or company;
  - (ii) the person or company proves that the person or company, on becoming aware of any misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice of the withdrawal to the Issuer and the reason for it;
  - (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or statement of an expert, the person or company proves that they did not have any reasonable grounds to believe and did not believe that: (i) there had been a misrepresentation; or (ii) the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; and
  - (iv) with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed that there had been a misrepresentation;
- (d) in an action for damages, the defendant will not be liable for all or any part of the damages that it proves do not represent the depreciation in value of the Preferred Shares as a result of the misrepresentation; and
- (e) in no case will the amount recoverable exceed the price at which the Preferred Shares were offered to the investor under the offering memorandum.

### ***Yukon***



Section 112 of the *Securities Act* (Yukon) provides that if an offering memorandum, such as this Offering Memorandum, together with any amendment to this it, contains a misrepresentation, a purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum (if applicable), or alternatively, while still the owner of the purchased Preferred Shares, a right of rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; or
  - (ii) for damages, the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the purchase;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the Preferred Shares with knowledge of the misrepresentation;
- (c) no person or company (other than the Issuer) will be liable if the person or company proves that (i) the offering memorandum was sent to the purchaser without the person's or company's consent, and that, after becoming aware of its delivery, the person or company promptly gave reasonable notice to the Issuer that it was sent without the person's or company's knowledge or consent, (ii) on becoming aware of the misrepresentation, the person or company withdrew their respective consent to the offering memorandum and gave reasonable notice to the Issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that they had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, the expert's report or statement;
- (d) no person or company (other than the Issuer) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation;
- (e) the Issuer will not be liable for a misrepresentation in forward-looking information if the Issuer proves that:
  - (i) the offering memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (ii) the Issuer had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
- (f) in an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Preferred Shares as a result of the misrepresentation relied upon; and
- (g) in no case will the amount recoverable exceed the price at which the Preferred Shares were sold to the purchaser.

### **Northwest Territories**

Section 112 of the *Securities Act* (Northwest Territories) provides that, if an offering memorandum, such as this Offering Memorandum, together with any amendment to it, contains a misrepresentation, a purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the Issuer, every director of the Issuer at the date of the offering memorandum, the Manager and every person who signed the offering memorandum (if applicable), or alternatively, while still the owner of the purchased Preferred Shares, a right of rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; or
  - (ii) for damages, the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the purchase;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the Preferred Shares with knowledge of the misrepresentation;
- (c) no person or company (other than the Issuer) will be liable if the person or company proves that (i) the offering memorandum was sent to the purchaser without the person's or company's consent, and that, after becoming aware of its delivery, the person or company promptly gave reasonable notice to the Issuer that it was sent without the person's or company's knowledge or consent, (ii) on becoming aware of the misrepresentation, the person or company withdrew their respective consent to the offering memorandum and gave reasonable notice to the Issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that they had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, the expert's report or statement;
- (d) no person or company (other than the Issuer) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation;
- (e) the Issuer will not be liable for a misrepresentation in forward-looking information if the Issuer proves that:
  - (i) the offering memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (ii) the Issuer had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
- (f) in an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Preferred Shares as a result of the misrepresentation relied upon; and
- (g) in no case will the amount recoverable exceed the price at which the Preferred Shares were sold to the purchaser.

### **Nunavut**

Section 112 of the *Securities Act* (Nunavut) provides that if an offering memorandum, such as this Offering Memorandum, together with any amendment to this Offering Memorandum, contains a misrepresentation, a purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the Issuer, the Manager and every person who signed the offering memorandum (if applicable), or alternatively, while still the owner of the purchased Preferred Shares, a right of rescission against the Issuer, provided that:

- (a) no action may be commenced to enforce a right of action:
  - (i) for rescission more than 180 days after the date of the purchase; or
  - (ii) for damages, the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the purchase;

- (b) no person or company will be liable if the person or company proves that the purchaser purchased the Preferred Shares with knowledge of the misrepresentation;
- (c) no person or company (other than the Issuer) will be liable if the person or company proves that (i) the offering memorandum was sent to the purchaser without the person's or company's consent, and that, after becoming aware of its delivery, the person or company promptly gave reasonable notice to the Issuer that it was sent without the person's or company's knowledge or consent, (ii) on becoming aware of the misrepresentation, the person or company withdrew their respective consent to the offering memorandum and gave reasonable notice to the Issuer of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that they had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, the expert's report or statement;
- (d) no person or company (other than the Issuer) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation;
- (e) the Issuer will not be liable for a misrepresentation in forward-looking information if the Issuer proves that:
  - (i) the offering memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (ii) the Issuer had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
- (f) in an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Preferred Shares as a result of the misrepresentation relied upon; and
- (g) in no case will the amount recoverable exceed the price at which the Preferred Shares were sold to the purchaser.

### **13.2 Cautionary Statement Regarding Report, Statement or Opinion by Expert**

This Offering Memorandum references the Issuer's audited financial statements for the year ended September 30, 2022, which were prepared by the Issuer's auditor, MNP LLP, Chartered Professional Accountants. You do not have a statutory right of action against this party for a misrepresentation in this offering memorandum. You should consult a legal adviser for further information.

**Item 14      Financial Statements**

**First Circle Mortgage Investment Corporation**  
**Financial Statements**  
*September 30, 2023*

# First Circle Mortgage Investment Corporation

## Contents

*For the year ended September 30, 2023*

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Page

### Independent Auditor's Report

### Financial Statements

Statement of Financial Position.....	1
Statement of Comprehensive Income.....	2
Statement of Changes in Shareholders' Equity.....	3
Statement of Cash Flows.....	4
Notes to the Financial Statements.....	5

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# Independent Auditor's Report

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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 statement of financial position as at September 30, 2023, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

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

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

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Vancouver, British Columbia

December 5, 2023

*MNP* LLP

Chartered Professional Accountants



# First Circle Mortgage Investment Corporation

## Statement of Financial Position

*As at September 30, 2023*

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Accrued interest receivable	2,335,811	1,480,255
Mortgages receivable (Note 4)	193,340,203	190,443,452
Prepaid expenses and other assets	52,843	42,061
Deferred costs	352,183	373,175
<b>Total assets</b>	<b>196,081,040</b>	<b>192,338,943</b>
<b>Liabilities</b>		
Bank indebtedness (Note 6)	49,358,789	60,663,993
Accounts payable and accrued liabilities (Note 5)	543,074	660,166
Dividends payable	1,719,537	2,708,706
Deferred revenue	57,261	19,009
Preferred shares to be issued (Note 7)	-	2,779,640
Preferred shares (Note 7)	143,276,673	125,503,929
Prepaid mortgage interest	1,122,206	-
<b>Total liabilities</b>	<b>196,077,540</b>	<b>192,335,443</b>
<b>Commitments (Note 9)</b>		
<b>Shareholders' Equity</b>		
Common shares (Note 8)	3,500	3,500
	<b>196,081,040</b>	<b>192,338,943</b>

Approved on behalf of the Board

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

# First Circle Mortgage Investment Corporation

## Statement of Comprehensive Income

*For the year ended September 30, 2023*

	<b>2023</b>	<b>2022</b>
<b>Revenue</b>		
Interest income	19,359,955	13,439,179
Fees and other income	77,213	67,472
	<b>19,437,168</b>	<b>13,506,651</b>
<b>Expenses</b>		
Amortization of deferred costs	117,308	100,545
Bank charges and interest	3,066,708	1,826,464
Management fee (Note 5)	2,859,268	2,735,764
Professional fees and other expenses	121,355	90,100
Other	66,865	57,723
	<b>6,231,504</b>	<b>4,810,596</b>
<b>Operating income</b>	<b>13,205,664</b>	<b>8,696,055</b>
<b>Preferred share dividends (Note 7)</b>	<b>(13,189,321)</b>	<b>(8,684,423)</b>
<b>Total comprehensive income for the year</b>	<b>16,343</b>	<b>11,632</b>

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

# First Circle Mortgage Investment Corporation

## Statement of Changes in Shareholders' Equity

For the year ended September 30, 2023

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	<i>Common shares</i>	<i>Total equity</i>
<b>Balance September 30, 2021</b>	<b>3,750</b>	<b>3,750</b>
Total comprehensive income for the year	-	11,632
Common share dividends	-	(11,632)
Redemption of share capital	(250)	(250)
<b>Balance September 30, 2022</b>	<b>3,500</b>	<b>3,500</b>
Total comprehensive income for the year	-	16,343
Common share dividends	-	(16,343)
<b>Balance September 30, 2023</b>	<b>3,500</b>	<b>3,500</b>

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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, 2023*

	2023	2022
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Comprehensive income for the year	16,343	11,632
Amortization of deferred costs	117,308	100,545
Preferred shares issued by way of stock dividend (Note 7)	7,871,167	3,855,288
Interest expense	3,053,030	1,815,799
Interest received	19,359,955	13,439,179
	30,417,803	19,222,443
Changes in working capital accounts		
Accrued interest receivable	(855,556)	(746,113)
Prepaid expenses and other assets	(10,781)	(26,528)
Mortgages receivable	(22,256,706)	(57,057,647)
Accounts payable and accrued liabilities	(117,094)	323,154
Dividends payable	(989,169)	868,862
Deferred revenue	38,252	(9,400)
Deferred costs	(96,316)	(345,423)
Prepaid mortgage interest	1,122,206	-
	7,252,639	(37,770,652)
<b>Financing activities</b>		
Payments for redemption of common shares	-	(250)
Increase (decrease) in preferred shares to be issued (Note 7)	(2,779,640)	902,720
Increase (decrease) in bank indebtedness	(11,305,203)	32,720,031
Common share dividends paid (Note 8)	(16,343)	(11,632)
Issuance of preferred shares (Note 7)	15,498,610	12,536,200
Redemption of preferred shares (Note 7)	(5,597,033)	(6,560,618)
Interest paid	(3,053,030)	(1,815,799)
	(7,252,639)	37,770,652
	-	-
<b>Increase in cash</b>	-	-
<b>Cash, beginning and end of year</b>	-	-
<b>Supplementary cash flow information</b>		
<b>Non-cash financing activity</b>		
Preferred shares issued by way of stock dividend	7,871,167	3,855,288

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

**First Circle Mortgage Investment Corporation**  
**Notes to Financial Statements**  
*For the year ended September 30, 2023*

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**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”).

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.

**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, 2023 were approved by the Board of Directors of the Company on December 5, 2023.

**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 periods.

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, and 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***

Significant judgements, 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 10.

***e. Non-classified statement of financial position***

In the opinion of management, a classified statement of financial position would present no additional information as the Company's activities are substantially directed towards short-term mortgage investments. Accordingly, a non-classified statement of financial position has been presented.

**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 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***

***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 and mortgages receivable and are recorded at amortized cost. 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.

***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 based on expected credit losses. For performing mortgages, the loss allowance is based on expected losses within the next 12-month period. For mortgages that have experienced a significant increase in credit risk since initial recognition and credit-impaired mortgages, the loss allowance is based on contractual lifetime expected credit losses.

**3. Summary of significant accounting policies – continued**

***b. Financial instruments – continued***

The Company assesses whether a financial asset has experienced a significant increase in credit risk since initial recognition at the reporting date. Regular indicators that a mortgage has experienced a significant increase in credit risk but is not yet credit-impaired include financial difficulties as evidenced through delinquent payments. 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.

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 10 for additional information about the Company's credit risk management process, credit risk exposure and 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, dividends payable, prepaid mortgage interest, 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 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.

**3. Summary of significant accounting policies – continued**

***b. Financial instruments – continued***

***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. 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.

***d. 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.

***e. Income taxes***

The Company is a Mortgage Investment Corporation ("MIC") as defined in Section 130.1(6) of the Income Tax Act of Canada. 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.

***f. 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, 2023 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.



**First Circle Mortgage Investment Corporation**  
**Notes to Financial Statements**  
*For the year ended September 30, 2023*

**3. Summary of significant accounting policies – continued**

**f. Standards issued but not yet effective – continued**

**IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements**

Amendments to IAS 1 and IFRS Practice Statement 2, issued in February 2021, help entities provide accounting policy disclosures that are more useful to primary users of financial statements by replacing the requirement to disclose “significant” accounting policies with a requirement to disclose “material” accounting policies and providing guidance to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

**IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

Amendments to IAS 8, issued in February 2021, introduce a new definition of “accounting estimates” to replace the definition of “change in accounting estimates” and also include clarification intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

**4. Mortgages receivable**

The mortgages receivable balance is comprised of several mortgages, bearing interest at 5.95% to 13.95% (2022 – 5.95% to 15.90%) per annum, accrued on a monthly basis. All mortgages have the underlying real property as collateral and are for periods between twelve and thirty months. The mortgages have either repayment terms prior to September 30, 2024 or are open, giving the borrower the option to repay principal at any time prior to the maturity date.

Property Category	2023	2022
<b>Greater Vancouver</b>		
Residential – conventional	\$ 79,229,205	\$ 80,652,423
Residential – construction	16,125,930	14,269,228
Land	8,954,576	6,347,115
Commercial	12,929,975	10,316,843
<b>Other British Columbia</b>		
Residential – conventional	49,093,695	59,617,358
Residential – construction	8,498,381	9,402,584
Land	5,491,456	6,258,766
Commercial	15,402,796	5,176,915
	<b>\$ 195,726,014</b>	<b>\$ 192,041,232</b>
Accrued interest receivable	(2,335,811)	(1,597,780)
Mortgage holdbacks	(50,000)	-
	<b>\$ 193,340,203</b>	<b>\$ 190,443,452</b>

Principal repayments based on contractual maturity dates are as follows:

	2023	2022
Mortgages contracts expiring within 12 months	\$ 189,765,203	\$ 184,061,695
Mortgages contracts expiring over 12 months	3,625,000	6,381,757
	<b>\$ 193,390,203</b>	<b>\$ 190,443,452</b>

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

As at September 30, 2023, the carrying amount of mortgages over 90 days in arrears is \$11,034,500 (2022 – \$nil). There were 10 (2022 – nil) mortgage accounts with a carrying value of \$11,034,500 (2022 – \$nil) under collection action.

As at September 30, 2023, the allowance for impairment losses is \$nil (2022 - \$nil). 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.

**First Circle Mortgage Investment Corporation**  
**Notes to Financial Statements**  
*For the year ended September 30, 2023*

**5. 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, 2023, the amount paid under this contract was \$2,859,268 (2022 – \$2,735,764). Included in accounts payable and accrued liabilities are amounts totaling \$256,890 (2022 – \$252,054) due to FCMIC Management Ltd. relating to these management services and were paid subsequent to the year end.
- (b) As at September 30, 2023, accounts payable and accrued liabilities include \$76,229 (2022 – \$63,258) due to First Circle Financial Services Ltd., a company controlled by a Director of the Company.
- (c) As at September 30, 2023, prepaid expenses and other assets includes \$17,500 for a refundable bond paid on behalf of First Circle Development Corp., a company controlled by a Director of the Company.
- (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, 57 mortgages (2022 – 72), with a total amount outstanding of \$63,146,374 (2022 - \$65,350,861) were jointly issued under this agreement.

**6. Bank indebtedness**

	2023	2022
Operating line of credit	5,358,789	2,169,077
Chequing account	-	(5,084)
Prime rate loans	4,000,000	18,500,000
CDOR loans	40,000,000	40,000,000
	<b>\$ 49,358,789</b>	<b>\$ 60,663,993</b>

The Company has a syndicated credit facility with two chartered banks for the lesser of \$85,000,000 and a percentage of total eligible mortgages. Eligible mortgages and their percentages are determined by criteria set by the bank. The syndicated credit facility is secured by a general security agreement covering first-ranking security of all tangible and intangible assets. The credit facility consists of up to \$85,000,000 in revolving credit facilities in the form of a “swingline” operating line of credit, prime rate loans, and Canadian Dollar Offered Rate (“CDOR”) loans, of which the Company utilized \$49,358,789 as at September 30, 2023.

The swingline can be drawn to \$8,500,000, of which the Company had utilized \$5,358,789 (2022 - \$2,169,077) at September 30, 2023. The swingline facility bears interest at 0.6% plus the bank’s prime lending rate

The Company utilized \$4,000,000 of prime rate loans, which bear interest at 0.6% plus the bank’s prime lending rate, as at September 30, 2023.

Additionally, the Company utilized \$40,000,000 of CDOR loans, which bear interest at 2.0% plus the applicable CDOR rate, as at September 30, 2023.

Per the credit agreement, the Company is subject to various financial and non-financial covenants. The financial covenants require the company to maintain a Tangible Net Worth of \$100,000,000, a Maximum Total Debt to Tangible Net Worth Ratio of 0.75x and a Minimum EBITDA/Interest Coverage ratio of 3.00x.

As at September 30, 2023, the Company was in compliance with all financial and non-financial covenants.

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

**First Circle Mortgage Investment Corporation**  
**Notes to Financial Statements**  
*For the year ended September 30, 2023*

**7. 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:

	2023		2022	
	Number	Amount	Number	Amount
Opening balance	12,550,395	\$ 125,503,929	11,567,308	\$ 115,673,059
Issued	1,549,861	15,498,610	1,253,620	12,536,200
Issued by way of stock dividend	787,117	7,871,167	385,529	3,855,288
Redeemed	(559,703)	(5,597,033)	(656,062)	(6,560,618)
Closing Balance	14,327,670	\$ 143,276,673	12,550,395	\$ 125,503,929

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:

Nil (2022 – 277,964) preferred shares have been subscribed for consideration of \$nil (2022 – \$2,779,640) and will be issued subsequent to September 30, 2023.

Dividends per share:

	2023	2022
Preferred share dividends paid or payable	\$13,189,321	\$ 8,684,423
Dividends per preferred share paid or payable	\$ 0.99	\$ 0.70

Dividends on preferred shares are recorded as an expense on the statement of comprehensive income.

**8. Common shares**

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:

	2023		2022	
	Number	Amount	Number	Amount
Total common shares	17,500	\$ 3,500	17,500	\$ 3,500

**First Circle Mortgage Investment Corporation**  
**Notes to Financial Statements**  
*For the year ended September 30, 2023*

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**9. Commitments**

As at September 30, 2023, unfunded mortgage commitments outstanding amounts were \$13,676,940 (2022 – \$16,146,954).

**10. Risk management**

In common with other mortgage investment corporations, the Company is exposed to local and global economic conditions as well as 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. These market changes may be regional or national in nature or may revolve around a specific product type. For example, the Company is exposed to geographical concentration risk as the majority of the Company's mortgages are secured by property in British Columbia. To manage these risks, management reviews the pertinent market conditions that affect each mortgage application. More generally, 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 risk of financial loss to the Company if a mortgagor fails to meet their contractual obligations. To manage credit risk, management:

- Investigates the creditworthiness of all prospective borrowers, including assessing whether the security is sufficient;
- Establishes authorization limits for mortgage approvals. Large mortgages require Board approval;
- Regularly monitors the credit risk of the Company's mortgage portfolio;
- Engages qualified independent consultants such as lawyers and real estate appraisers dedicated to protecting the Company's interests; and
- Promptly initiates 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.

**10. Risk management – continued**

**c. Credit risk – continued**

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 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.

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 macroeconomic factors. Mortgage investments are transferred to Stage 3 when one or more events have occurred that have a detrimental effect on the estimated future cash flows of that asset.

**First Circle Mortgage Investment Corporation**  
**Notes to Financial Statements**  
For the year ended September 30, 2023

**10. Risk management – continued**

**c. Credit risk – continued**

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 assesses the impact that future events may have on the assumptions used to estimate expected credit losses.

*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, 2023**

<b>Property Category</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Greater Vancouver</b>				
Residential – conventional	\$ 73,091,034	\$ -	\$ 6,138,171	<b>\$ 79,229,205</b>
Residential – construction	16,125,930	-	-	<b>16,125,930</b>
Land	7,254,623	-	1,699,953	<b>8,954,576</b>
Commercial	12,929,975	-	-	<b>12,929,975</b>
	109,401,562	-	7,838,124	<b>117,239,686</b>
<b>Other British Columbia</b>				
Residential – conventional	45,648,421	-	3,445,274	<b>49,093,695</b>
Residential – construction	8,498,381	-	-	<b>8,498,381</b>
Land	5,081,600	-	409,856	<b>5,491,456</b>
Commercial – construction	-	-	-	<b>-</b>
Commercial	15,402,796	-	-	<b>15,402,796</b>
	74,631,198	-	3,855,130	<b>78,486,328</b>
	<b>\$ 184,032,760</b>	<b>\$ -</b>	<b>\$ 11,693,254</b>	<b>\$ 195,726,014</b>

**First Circle Mortgage Investment Corporation**  
**Notes to Financial Statements**  
*For the year ended September 30, 2023*

**10. Risk management – continued**

**c. Credit risk – continued**

As at September 30, 2022

Property Category	Stage 1	Stage 2	Stage 3	Total
<b>Greater Vancouver</b>				
Residential – conventional	\$ 79,341,088	\$ 1,311,335	\$ -	\$ 80,652,423
Residential – construction	14,269,228	-	-	14,269,228
Land	4,795,100	1,552,015	-	6,347,115
Commercial	10,316,843	-	-	10,316,843
	108,722,259	2,863,350	-	111,585,609
<b>Other British Columbia</b>				
Residential – conventional	59,617,358	-	-	59,617,358
Residential – construction	9,402,584	-	-	9,402,584
Land	6,258,766	-	-	6,258,766
Commercial - construction	3,876,981	-	-	3,876,981
Commercial	1,299,934	-	-	1,299,934
	80,455,623	-	-	80,455,623
	<b>\$ 189,177,882</b>	<b>\$ 2,863,350</b>	<b>\$ -</b>	<b>\$ 192,041,232</b>

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

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, 2023 is the carrying values of its mortgage investments, including accrued interest receivable, which total \$195,726,014 (2022 – \$192,041,232).

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, 2023, the total encumbrances of the underlying property made up approximately 51% (2022 – 53%) of the total appraised value, representing the loan to value ratio, of the secured property. The Company's mortgage portfolio consisted of the following classifications:

	2023	2022
First mortgages	93.89%	96.80%
Second mortgages	5.85%	2.94%
Third mortgages	0.26%	0.26%
	100.00%	100.00%

Concentration of credit risk analysis:

A significant mortgage investment is defined as a single loan amount being greater than 10% of the total mortgage receivable balance. As at September 30, 2023, the Company has nil mortgages (September 30, 2022 – nil) which exceed that threshold.

**Amounts arising from expected credit losses**

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

## 10. Risk management – continued

### *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. The Company is exposed to interest rate risk on mortgages receivable to the extent of changes in the prime interest rate, mitigated by minimum rates specified in all of its variable interest rate mortgage contracts. Due to the short term nature of the mortgages 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.

#### Sensitivity analysis

The Company is exposed to interest rate risk on the bank indebtedness. Based on the outstanding balance of \$49,358,789 on the credit facility as at September 30, 2023 (2022 – \$60,663,993) a 0.50% decrease in the borrowing rate, keeping other variables constant, would result in an annual increase in comprehensive income of \$246,794 (2022 – \$303,320) as a result of lower interest payable on the bank indebtedness. A 0.50% increase in the borrowing rate would have opposite effect. However, the amounts indicated by this sensitivity analysis are greater than the Company's net interest rate risk exposure because the Company has a balance of variable interest rate mortgage assets that naturally hedge the Company's variable interest rate debt liabilities, thereby significantly mitigating net downside 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 values are not necessarily representative of the amounts realizable in immediate settlements of instruments. The fair value of mortgage investments are determined using Level 2 inputs. As at September 30, 2023, the Company had no financial instruments measured at fair value.

## 11. 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.



**First Circle Mortgage Investment Corporation**  
**Notes to Financial Statements**  
*For the year ended September 30, 2023*

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**11. Capital management - continued**

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(6) 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 6.

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


**Item 15      Date and Certificate**

Dated: January 1, 2024

**This Offering Memorandum does not contain a misrepresentation.**

FIRST CIRCLE MORTGAGE INVESTMENT CORPORATION

Per:   
\_\_\_\_\_  
Alan P. Cross  
Director and President

Per:   
\_\_\_\_\_  
Murray A. Braaten  
Director and Secretary

PROMOTER

**First Circle Financial Services Ltd.**

Per:   
\_\_\_\_\_  
Alan P. Cross, Director and CEO