2014

Firm Capital

MORTGAGE INVESTMENT CORPORATION

Third Quarter Report
To Shareholders

September 30, 2014

Disciplined Investing . Capital Preservation

www.firmcapital.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

Advisory: *Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2014 objectives and our strategies to achieve those objectives, as well as statements with respect to management's beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.*

These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described below in this MD&A under Risks and Uncertainties, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include risks associated with mortgage lending, competition for mortgage lending, real estate values, interest rate fluctuations, environmental matters and shareholder liability. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include that there is not a significant decline in the value of the general real estate market, interest rates remain relatively stable and the Corporation is able to invest in mortgages at rates consistent with rates historically achieved; adequate investment opportunities are presented to the Corporation, and adequate bank indebtedness and bank loans are available to the Corporation. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements in this MD&A are qualified by these cautionary statements. Except as required by applicable law, the Corporation undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

INTRODUCTION

Firm Capital Mortgage Investment Corporation (the "Corporation") is a non-bank lender investing predominantly in short-term residential and commercial real estate mortgage loans and real estate related debt investments. The Corporation operates as a mortgage investment corporation under the Income Tax Act (Canada). Mortgage investment corporations have no income tax payable provided that they satisfy the requirements in subsection 130.1(6) of the Income Tax Act (Canada).

The Corporation's primary investment objective is the preservation of shareholders' equity, while providing shareholders with a stable stream of dividends from the Corporation's investments. The Corporation achieves its investment objectives by pursuing a strategy of investing in loans in selected niche real estate markets that are under-serviced by larger financial institutions.

Firm Capital Corporation (the "Mortgage Banker") is the Corporation's mortgage banker and acts as the Corporation's loan originator, underwriter, servicer and syndicator. The Corporation's affairs are administered by FC Treasury Management Inc. (the "Corporation Manager").

The Corporation has in place a Dividend Reinvestment Plan (DRIP) and a Share Purchase Plan (collectively the "Plans") that are available to its shareholders. The Plans allow participants to have their monthly cash dividends reinvested in additional common shares of the Corporation ("Shares") and grant participants the right to purchase additional Shares. Shareholders who wish to enroll or who would like further information about the Plans should contact Investor Relations at (416) 635-0221.

Additional information on the Corporation, its DRIP program, its Share Purchase Plan and its Investment Portfolio is available on the Firm Capital web site at www.firmcapital.com. Additional information about the Corporation, including its Annual Information Form ("AIF"), can be found on the SEDAR website at www.sedar.com.

BASIS OF PRESENTATION

For fiscal years beginning on or after January 1, 2011, Canadian public companies are required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The Corporation has adopted IFRS as issued by the International Accounting Standards Board as its basis of financial reporting commencing with the interim unaudited financial statements for the three months ended March 31, 2011.

The Corporation's reporting currency is the Canadian dollar.

The following discussion is dated as of November 6, 2014 and should be read in conjunction with the unaudited condensed interim financial statements of the Corporation and the notes thereto for the three and nine months ended September 30, 2014 and 2013, and the audited financial statements of the Corporation and the notes thereto for the years ended December 31, 2013 and 2012, and the Management's Discussion and Analysis, including the section on "Risks and Uncertainties", along with each of the quarterly reports for 2014 and 2013.

FINANCIAL HIGHLIGHTS

Total income and profit (referred to herein as "Profit") for the three months ended September 30, 2014 increased by 7% to $4,797,765 as compared to $4,479,990 for the same period last year. Profit for the nine months ended September 30, 2014 increased by 10% to $14,567,993, as compared to $13,202,281 for the nine months ended September 30, 2013. Basic weighted average profit per share for the three months ended September 30, 2014 was $0.239, which is lower than the $0.247 per share reported for the three months ended September 30, 2013. Profit for the three months ended September 30, 2014 increased by 7% over the 2013 period, while the weighted average number of outstanding shares increased by 11%.

The Corporation's Investment Portfolio as at September 30, 2014 increased by $17 million to approximately $353.4 million as compared to $336.3 as at December 31, 2013 (both net of the impairment provision of $3.33 million).

The Corporation continues to exceed its yield objective of producing a return on shareholders' equity in excess of 400 basis points over the average one year Government of Canada Treasury bill yield. Profit for the quarter ended September 30, 2014 represents an annualized return on shareholders' equity (based on the month end average shareholders' equity) of 9.17%, representing return on shareholders' equity of 817 basis points per annum over the average Government of Canada one year treasury bill yield of 1.00%.

On January 28, 2014, the Corporation completed the issuance of 1,955,000 common Shares of the Corporation at a price of $12.10 per share, including the exercise in full of the underwriters' over-allotment option, for aggregate gross proceeds to the Corporation of $23,655,500. Proceeds, net of offering costs, totaled $22,469,258.

INVESTMENT PORTFOLIO

The Corporation's investment portfolio, which is comprised of mortgage and debt investments (the "Investment Portfolio"), totaled $353,355,850 as of September 30, 2014 (net of impairment loss provision of $3,330,000) as compared to $336,296,485 (net of impairment loss provision of $3,330,000) as at December 31, 2013, representing an increase of approximately $17 million. The September 30, 2014 Investment Portfolio is comprised of 172 investments (146 as at December 31, 2013). The average gross investment size (excluding impairment loss provision) was approximately $2.1 million with 3 investments individually exceeding $7,500,000.

Amount	Number of Investments	%	Total Amount	%
$0 - $2,500,000	122	71%	$ 112,744,718	32%
$2,500,001 - $5,000,000	31	18%	$ 110,186,042	31%
$5,000,001 - $7,500,000	16	9%	$ 89,396,481	25%
$7,500,001 +	3	2%	$ 44,358,609	12%
	172	**100%**	**$ 356,685,850**	**100%**

Un-advanced committed funds under the existing Investment Portfolio amounted to $78,487,222 as at September 30, 2014 ($87,303,906 as at December 31, 2013). Generally, investments are shared with other syndicate partners to diversify risk.

	Sep 30, 2014		Dec 31, 2013		% Change
Conventional First Mortgages	$ 248,318,984	69.6%	$ 217,909,340	64.2%	**14%**
Related Investments	53,711,742	15.0%	58,124,384	17.1%	**(8%)**
Conventional Non-First Mortgages	34,786,704	9.8%	30,597,843	9.0%	**14%**
Non-Conventional Mortgages	14,964,520	4.2%	27,984,768	8.2%	**(47%)**
Discounted Debt Investments	4,903,900	1.4%	5,010,150	1.5%	**(2%)**
Total Investments (at amortized cost)	**$ 356,685,850**	**100.0%**	**$ 339,626,485**	**100.0%**	**5%**
Less: Impairment Provision	(3,330,000)		(3,330,000)		**-**
Investment Portfolio	**$ 353,355,850**		**$ 336,296,485**		**5%**

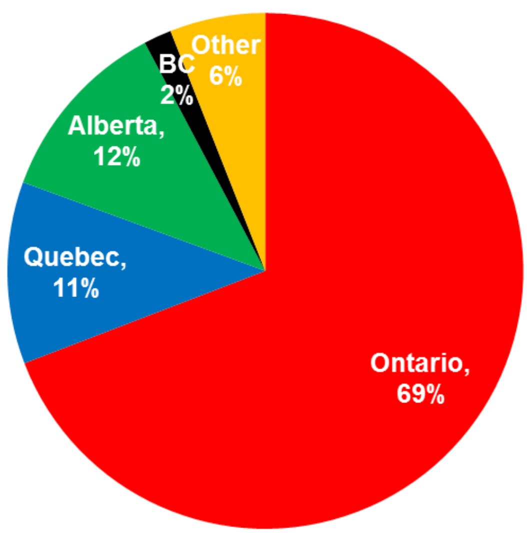
Conventional first mortgages increased by 14% and represented 70% of the Corporation's portfolio at September 30, 2014 as compared to 64% at December 31, 2013. Related investments decreased by 8% and represented 15% of the portfolio in comparison to 17% at December 31, 2013. Conventional non-first mortgages increased by 14% and represented 10% of the portfolio. Non-conventional mortgages decreased by 47% and represented 4% of the portfolio in comparison to 8% of the portfolio at December 31, 2013. Discounted debt investments of $4,903,900 decreased by 2% and represented 1.4% of the portfolio.

Related investments predominantly have first ranking security on the underlying assets securing the loan and as such have the same risk profile as the conventional first mortgage investment category. As at September 30, 2014, approximately 85% of the Corporation's investment portfolio was invested in conventional first mortgages and related investments, as compared to 81% as at December 31, 2013. The growth in the investment portfolio largely took place in the conventional first mortgage category. Growth in these areas resulted in a reduction in the portfolio average interest rate. However, the additional interest earned as a result of holding a larger portfolio, compensated for the reduction in portfolio average interest rate.

The weighted average face interest rate on the Corporation's investment portfolio was 8.45% as at September 30, 2014 as compared to 8.58% as at December 31, 2013. The September 30, 2014 weighted average face interest rate on the portfolio increased from the June 30, 2014 rate of 8.37%.

The Corporation's investment portfolio as at September 30, 2014 included one mortgage investment totaling $3,978,000, on which interest payments were not being received. The investment originated as a mortgage loan purchased from a Schedule A Bank. The original mortgage loan was a non performing loan and was acquired at a discount to its principal outstanding balance, on the premise that upon ultimate realization of the security under the loan, accrued interest and a component of the discount could be realized.

The Corporation continues to focus its lending into core markets that could be monitored closely during evolving economic conditions. The portfolio has some geographic diversification with 31% of the investments in the portfolio secured by properties outside of Ontario.



The Corporation's strategy is to mitigate loan loss risk by focusing on those areas of mortgage lending that have historically withstood market corrections and retained their underlying real estate asset value, while limiting its exposure to those real estate asset classes that do not.

As at September 30, 2014, the Investment Portfolio continued to be heavily concentrated in short-term investments, with 70% of the portfolio maturing by September 30, 2015. The short-term nature of the portfolio provides the Corporation with the ability to continually revolve the portfolio and adapt to changes in the real estate market.

We remain focused on our primary objective of preserving shareholders' equity by creating a portfolio that:

(i) is widely diversified across many investments,
(ii) is concentrated in first mortgages,
(iii) has reduced exposure as a result of participation in various loan syndicates, and
(iv) is primarily short-term in nature.

RESULTS OF OPERATIONS

INTEREST AND FEES

For the three months ended September 30, 2014, interest and fees earned increased by 10% to $7,795,833, as compared to $7,060,756 for the three months ended September 30, 2013. Interest and fees earned for the three and nine months ended September 30, 2014 and September 30, 2013 are broken down as follows:

Three Months Ended	**Sep 30, 2014**	**%**	**Sep 30, 2013**	**%**	**% Change**
Interest	$ 7,369,801	94%	$ 6,527,716	92%	**13%**
Commitment & Renewal Fees	360,574	5%	382,586	5%	**(6%)**
Special Income	65,458	1%	150,454	3%	**(56%)**
	$ 7,795,833	**100%**	**$ 7,060,756**	**100%**	**10%**

Nine Months Ended	**Sep 30, 2014**	**%**	**Sep 30, 2013**	**%**	**% Change**
Interest	$ 21,420,127	94%	18,928,175	90%	**13%**
Commitment & Renewal Fees	1,010,696	4%	1,025,668	5%	**(1%)**
Special Income	562,124	2%	1,111,525	5%	**(49%)**
	$ 22,992,947	**100%**	**$ 21,065,368**	**100%**	**9%**

Interest income of $7,369,801 and $21,420,127 for the three and nine months ended September 30, 2014 respectively increased by 13% and 13% as compared to the three and nine month period ended in 2013. Interest income represents 94% of the Corporation's revenues for the three months ended September 30, 2014 and 94% for the nine months ended September 30, 2014. The year over year increase in interest income is generally a result of the Corporation holding a larger investment portfolio compared to the same period in 2013.

Recorded fee income, as relating to commitment and renewal fees, for the three months ended September 30, 2014, decreased by approximately 6% over the three months ended September 30, 2013. Recorded fee income for the nine month period ended September 30, 2014 decreased by approximately 1%. As at September 30, 2014, the Corporation had unearned commitment fee income of $672,309 (December 31, 2013: $653,191). The Corporation's policy is to recognize commitment fees over the term of the related loan where such fees are individually greater than $4,000. The unrecognized component of the fees is recorded as unearned income on the Corporation's balance sheet. These fees have been received and are not refundable to borrowers.

Special income generated during the three and nine months ended September 30, 2014 decreased by 56% and 49% respectively when compared to the same periods in the prior year. Special income relates to certain fees and interest generated from a number of the Corporation's non-conventional mortgages and the timing of earning of such income is not necessarily consistent in each period. The timing of the recognition and collection of special income is difficult to predict and the collection of a particular amount is no reflection of the future collection of such income. Non-conventional mortgage investments can attract higher loss risk due to their subordinate ranking to other mortgage charges and/or high loan to value ratio. Consequently, this higher risk is compensated for by a higher rate of return. We are being very selective in cautiously sourcing high yielding non-conventional mortgages that meet the Corporation's investment criteria. Current real estate values and market return available on most non-conventional mortgage investments opportunities make them unattractive to the Corporation.

CORPORATION MANAGER INTEREST ALLOCATION

The Corporation Manager, through an interest spread arrangement, received $715,075 for the quarter ended September 30, 2014 as compared to $562,543 for the quarter ended September 30, 2013. For the nine months ended September 30, 2014, the Corporation Manager received $1,950,122 as compared to $1,656,244 for the nine months ended September 30, 2013. The increase is generally due to the increase in the size of the Corporation's daily average Investment Portfolio over the comparable periods.

The Corporation's earnings are impacted by the Mortgage Banker's ability to source and generate appropriate mortgage and loan investments that provide sufficient yields, while adhering to pre-determined risk guidelines. The Corporation has entered into long-term contracts with the Mortgage Banker and the Corporation Manager, as more particularly described in the AIF.

INTEREST EXPENSE

For the three months ended September 30, 2014, interest expense increased by 18% to $2,098,065 as compared to $1,780,452 during the three months ended September 30, 2013. For the nine months ended September 30, 2014, interest expense increased by 6% to $5,823,029 as compared to the nine months ended September 30, 2013 amount of $5,491,373. Interest expense, in general is higher in the 2014 comparable period as a result of the Corporation having larger loan payables in 2014 versus 2013 and is broken down as follows:

Three Months Ended		**Sep 30, 2014**	**%**		**Sep 30, 2013**	**%**	**% Change**
Bank Interest Expense	$	271,923	13%	$	141,669	8%	**92%**
Loan Payable Interest Expense		286,254	14%		98,107	6%	**192%**
Debenture Interest Expense		1,539,888	73%		1,540,676	86%	**-**
	$	**2,098,065**	**100%**	**$**	**1,780,452**	**100%**	**18%**

Nine Months Ended		Sep 30, 2014	%		Sep 30, 2013	%	% Change
Bank Interest Expense	$	677,656	12%	$	506,406	9%	**34%**
Loan Payable Interest Expense		533,938	9%		305,663	6%	**75%**
Debenture Interest Expense		4,611,435	79%		4,679,304	85%	**(1%)**
	$	**5,823,029**	**100%**	**$**	**5,491,373**	**100%**	**6%**

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES
G&A expenses decreased to $184,928 for the quarter ended September 30, 2014 as compared to $237,771 for the quarter ended September 30, 2013. For the nine months ended September 30, 2014, G&A expenses decreased to $651,803 as compared to $715,470.

TOTAL INCOME & PROFIT ("PROFIT")
Profit for the three months ended September 30, 2014 increased by 7% to $4,797,765 when compared to $4,479,990 the same three month period in the prior year. The Profit for the nine months ended September 30, 2014 of $14,567,993 represented a 10% increase over the comparable nine month period in the 2013 year of $13,202,281.

Profit for the three months ended September 30, 2014 represented an annualized return on shareholders' equity (based on the month end average shareholders' equity) of 9.17% versus a previously reported return on shareholders' equity of 9.63% for the three months ended September 30, 2013. This return on shareholders' equity represents 817 basis points per annum over the average Government of Canada one year treasury bill yield of 1.00%, and is well in excess of the Corporation's stated target yield objective of 400 basis points per annum over the average one year treasury bill yield. The above return on shareholders' equity is a non-IFRS financial measure and does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. This non-IFRS measure provides useful information to shareholders in that it provides a measure of return generated on the Corporation's equity base.

TOTAL COMPREHENSIVE INCOME
As discussed further in the Marketable Securities section later herein, commencing in the third quarter of 2014 the Corporation now holds a marketable securities portfolio. The Corporation classifies this financial asset as available for sale and as such records the portfolios carrying value at fair value.

Commencing with the third quarter of 2014, the Corporation will be including in its financial statements a separate condensed statements of income and a separate condensed statements of comprehensive income. The condensed statements of comprehensive income presents the impact of the changes in fair value of marketable securities.

The change in fair value of marketable securities for the three and nine months period ended September 30, 2014 was $245,079 (compared to nil for the 2013 periods). The total comprehensive income for the three and nine month periods ended September 30, 2014 was

$5,042,844 and $14,813,072, respectively, compared to $4,479,990 and $13,202,281 respectively for the 2013 periods.

PROFIT PER SHARE

Basic weighted average profit per share for the three months ended September 30, 2014 was $0.239, which is lower compared to the $0.247 per share reported for the three months ended September 30, 2013. Basic weighted average profit per share for the nine months ended September 30, 2014 was $0.730, which is lower compared to the $0.747 per share reported for the nine months ended September 30, 2013.

The decrease in the 2014 profit per share as compared to 2013 is a result of the increase in the average number of shares outstanding in 2014 exceeding the increase in profit in 2014. Profit for the three months ended September 30, 2014 increased by 7% over the 2013 period, while the weighted average number of outstanding shares increased by 11%.

QUARTERLY FINANCIAL INFORMATION

($ in millions except per unit amounts)	Sep. 30 2014	Jun. 30 2014	Mar. 31 2014	Dec. 31 2013	Sep. 30 2013	Jun. 30 2013	Mar. 31 2013	Dec. 31 2012	Sept. 30 2012
Operating Revenue	$ 7.80	$ 7.52	$ 7.68	$ 7.41	$ 7.06	$ 7.38	$ 6.62	$ 6.74	$ 6.68
Interest Expense	2.10	1.82	1.91	1.93	1.78	1.99	1.72	1.74	1.82
Expenses & Finance Costs	0.90	0.90	0.80	1.07	0.80	0.86	0.71	0.93	0.72
Profit	**$ 4.80**	**$ 4.80**	**$ 4.97**	**$ 4.41**	**$ 4.48**	**$ 4.53**	**$ 4.19**	**$ 4.07**	**$ 4.14**
Profit Per Share									
- Basic	**$0.239**	**$0.239**	**$0.253**	**$ 0.243**	**$ 0.247**	**$ 0.257**	**$ 0.240**	**$ 0.243**	**$ 0.241**
- Diluted	**$0.237**	**$0.237**	**$0.248**	**$ 0.246**	**$ 0.244**	**$ 0.257**	**$ 0.229**	**$ 0.243**	**$ 0.241**
Dividends Per Share	**$0.234**	**$0.234**	**$0.234**	**$ 0.282**	**$ 0.234**	**$ 0.234**	**$ 0.234**	**$ 0.288**	**$ 0.234**

Note:
Fourth quarter dividends include one-time payout of accumulated excess earnings throughout the year

DIVIDENDS

For the three and nine months ended September 30, 2014, the Corporation declared dividends totaling $4,708,625 and $14,107,844 respectively or $0.234 and $0.702 per share versus $4,238,093 and $12,496,364 or $0.234 and $0.702 per share for the three and nine months ended September 30, 2013. While the per share amount of dividends did not change quarter over quarter, the quantum of dividends paid is higher in 2014 as a result of the increase in the number of shares outstanding. The number of shares outstanding at September 30, 2014 was 20,135,137 as compared to 18,125,733 as to September 30, 2013.

Nine Months Ended	**Sep 30, 2014**	**Sep 30, 2013**	**Change**
Cash Flow From Operating Activities (net of interest expense)	$ 15,206,336	$ 14,549,365	**5%**
Profit	$ 14,567,993	$ 13,202,281	**10%**
Declared Dividends	$ 14,107,844	$ 12,496,364	**13%**
Excess Cash Flow From Operating Activities Over Declared Dividends	$ 1,098,492	$ 2,053,001	
Excess Profit Over Declared Dividends	$ 460,149	$ 705,917	

AMOUNTS RECEIVABLE & PREPAID EXPENSES

The amounts receivable and prepaid expenses totaled $2,885,602 as at September 30, 2014 (comprised mostly of accrued interest receivable) compared to $2,926,292 as at December 31, 2013, representing a decrease of 1%.

MARKETABLE SECURITIES

In the quarter ending September 30, 2014, the Corporation acquired publicly traded units of two Canadian real estate investment trusts. The units were acquired through the exercise of warrants that were granted by the issuer as part of a loan facility to the issuer in which the Corporation was a participant. The units generate distributions that are consistent with the Corporation's overall yield objective. The $2,393,869 balance reported on the Corporation's balance sheet as at September 30, 2014 represents the fair value of the marketable securities comprising the portfolio. The Corporation's purchase price for the units was $2,148,790.

DEBENTURE PORTFOLIO INVESTMENT

The Corporation holds a small portfolio of publicly traded convertible debentures of Canadian real estate investment trusts. These investments, when purchased at the appropriate purchase price, generate interest income and yields that are consistent with the Corporation's overall yield objective. The $1,100,718 balance reported on the Corporation's balance sheet as at September 30, 2014 represents the fair value of the convertible debentures comprising the portfolio, and increased as compared to the $606,016 reported as at December 31, 2013.

BANK INDEBTEDNESS

Bank indebtedness decreased by approximately $15 million to $29,651,947 as compared to $44,765,238 as at December 31, 2013. The reduction in bank indebtedness that took place during the nine months ended September 30, 2014 is primarily a result of (i) the receipt of the net proceeds from the equity offering completed in the first quarter of approximately $22 million, and (ii) the receipt of funds from increasing loans payable of approximately $11 million, offset by (i) the use of $17 million to increase the Investment Portfolio, and (ii) the use of $1 million for other items.

LOAN ON DEBENTURE PORTFOLIO INVESTMENT

During the third quarter of 2014, the Corporation held a small portfolio of publicly traded convertible debentures of Canadian real estate investment trusts within its debenture portfolio investment. As a result of the very attractive leverage available on the portfolio from an interest rate stand point, the Corporation has a loan payable against the portfolio in the amount of $743,644, as at September 30, 2014 (December 31, 2013 - $292,158). The loan essentially represents a margin loan against the debenture portfolio and is open for repayment at any time.

LOANS PAYABLE

Loans payable, which are borrowings matched to specific mortgages at fixed interest rates increased to $22,126,723 as at September 30, 2014 compared to $11,278,971 as at December 31, 2013 and are secured by a first priority charge on specific mortgage investments. The Loans payable have maturity dates matching those of the underlying mortgages. The loans are on a non-recourse basis and are asset specific, such that the Corporation will not be liable for any deficiency sustained by the lender on any specific loan.

CONVERTIBLE DEBENTURES

As at September 30, 2014, the Corporation has four series of convertible debentures outstanding, as outlined below:

Ticker Symbol	Coupon	Issue Date	Maturity Date	Principal at Issue Date	Strike Price Per Share	Accounting Liability
FC.DB.A	5.75%	Oct 13, 2010	Oct 31, 2017	31,443,000	$ 15.90	30,687,141
FC.DB.B	5.40%	Aug 23, 2011	Feb 28, 2019	25,738,000	$ 14.35	24,593,117
FC.DB.C	5.25%	Mar 31, 2012	Mar 31, 2019	20,485,000	$ 14.80	19,405,868
FC.DB.D	4.75%	Mar 28, 2013	Mar 31, 2020	20,000,000	$ 15.80	18,825,684
Total / Average	**5.35%**			**$ 97,666,000**		**$ 93,511,810**

As at September 30, 2014, the current principal balance for the outstanding convertible debentures is $97,666,000. The recorded convertible debenture liability as at September 30, 2014 is $93,511,810 compared to $92,817,840 as at December 31, 2013. The weighted average effective interest rate is 5.35% per annum (5.35% as at December 31, 2013).

OTHER LIABILITIES

Other liabilities for the Corporation include the following:

Additional Liabilities	Sep 30, 2014	Dec 31, 2013	% Change
Accounts Payable and Accrued Liabilities	$ 1,975,226	$ 2,090,661	**(6%)**
Unearned Income	672,309	653,191	**3%**
Shareholder Dividend Payable	1,570,541	2,283,878	**(31%)**
Total	**$ 4,218,076**	**$ 5,027,730**	**(16%)**

Accounts payable and accrued liabilities of $1,975,226, as at September 30, 2014 was 6% lower in comparison to December 31, 2013. Accounts payable and accrued liabilities include interest payable on the Corporation's outstanding convertible debentures, loans payable and Bank indebtedness of $958,974 and accrued liabilities of $1,016,252.

Unearned income relating to commitment fees generated on the Corporation's mortgage investments increased by 3% to $672,309 as at September 30, 2014 as compared to $653,191, as at December 31, 2013. The Corporation's policy is to recognize commitment fees over the term of the related loan where such fees are individually greater than $4,000. The unrecognized component of the fees is recorded as unearned income on the Corporation's balance sheet.

Shareholders dividend payable has declined by approximately $713,000 in comparison to December 31, 2013. The decline is the result of the special dividend that is typically declared and accrued at year end, but paid out in January of the following year. The special dividend for 2013 was $0.048 per share.

SHAREHOLDERS EQUITY

Shareholders' equity at September 30, 2014 totaled $209,483,839 compared to $185,646,856 as at December 31, 2013. The Corporation had 20,135,137 Shares issued and outstanding as at September 30, 2014, compared to 18,126,021 as at December 31, 2013. The majority of this increase is due to the issuance of 1,955,000 Shares at a price of $12.10 per Common Share on

January 28, 2014, including the exercise of the underwriters' over-allotment option, for aggregate gross proceeds to the Corporation of $23,655,500. Proceeds net of offering costs totaled $22,469,258.

IMPAIRMENT LOSS

Investments consist of participations in mortgage loans and real estate related debt investments. Such investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage loans are measured at amortized cost using the effective interest method, less any impairment losses. The investments are assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of the investments measured at amortized cost is calculated as the difference between its carrying amount and the amount of the future cash flows estimated to be recovered on the mortgage loan security. Estimates and assumptions are made as to the gross sale proceeds that would be generated on the forced sale of the real property securing the related mortgage loan, and reflect estimates of the current local market conditions. Estimates are made as to the costs of enforcing under the mortgage loan and of realizing on the real property. Losses are recognized in the statement of income and reflected in an impairment provision against the investments. Interest on the impaired asset continues to be recognized to the extent it is deemed to be collectable.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income or profit. The impairment provision stood at $3,330,000 as at September 30, 2014 (December 31, 2013 - $3,330,000) and represents the total amount of management’s estimate of the shortfall between the investment portfolio principal balances and the estimated net realizable recovery from the collateral securing the loans. The impairment provision of $3,330,000 as at September 30, 2014, represents approximately 1% of the Investment Portfolio balance.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, the Corporation’s Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Corporation, and have reviewed and approved this MD&A as well as the unaudited interim condensed financial statements as at September 30, 2014 and 2013.

CONTROLS AND PROCEDURES

The Corporation maintains appropriate information systems, procedures and controls to ensure that information disclosed externally is complete, reliable, and timely. The Corporation’s Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of the design and operating effectiveness of the Corporation’s disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings) as at September 30, 2014 and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

The Corporation has also established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS for periods effective January 1, 2010. The Corporation's Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision, of the design and operating effectiveness of the Corporation's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at September 30, 2014. Based on that assessment, it was determined that The Corporation's internal controls over financial reporting were appropriately designed and were operating effectively.

The Corporation did not make any changes to the design of the Corporation's internal controls over financial reporting during the three months ended September 30, 2014 that would have materially affected or would be reasonably likely to materially affect the Corporation's internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and are measured at fair value.

The Corporation Manager (a company related to Eli Dadouch, Jonathan Mair and Edward Gilbert) receives an allocation of interest, referred to as Corporation Manager spread interest, calculated as 0.75% per annum of the Corporation's daily outstanding performing investment balances. For the nine months ended September 30, 2014, this amount was $1,950,122 (2013 - $1,656,244) and for the three months ended September 30, 2014, this amount was $715,075 (2013 - $562,543). Included in accounts payable and accrued liabilities of the Corporation as at September 30, 2014 are amounts payable to the Corporation Manager of $446,246 (December 31, 2013 - $208,649).

The total directors' fees paid for the nine months ended September 30, 2014 was $122,625 (September 30, 2013 - $122,625). Certain key management personnel are also directors of the Corporation and receive compensation from the Corporation Manager.

During the fourth quarter of 2013, the Corporation granted 1,040,000 options at an exercise price of $11.78 per Share. These options fully vested upon granting. During the year ended December 31, 2013, the Corporation recognized $100,000 compensation expense in the statement of comprehensive income under General and Administrative Expenses. Fair value of these options was determined using the Black-Scholes option pricing model with the following assumptions.

Average expected option holding period	10 Years
Average expected volatility rate	12.04%
Average dividend yield	8.31%
Average risk-free interest rate	3.01%

The Mortgage Banker (a company related to the president of the Corporation, Eli Dadouch) receives certain fees directly from borrowers as follows: loan servicing fees equal to 0.10% per annum on the principal amount of each of the Corporation's investments; 75% of all the commitment and renewal fees generated from the Corporation's investments; and 25% of all the special profit income generated from the non-conventional investments after the Corporation has yielded a 10% per annum return on its investments. Interest and fee income is net of the loan servicing fees paid to the Mortgage Banker of approximately $260,000 for the nine months ended September 30, 2014 (September 30, 2013 - $221,000). The Mortgage Banker also retains all overnight float interest and incidental fees and charges payable by borrowers on the Corporation's investments. The Corporation's share of commitment and renewal fees recorded in income for the nine months ended September 30, 2014 was $1,010,696 (2013 - $1,025,668) and for the quarter ended September 30, 2014 was $360,574 (2013 - $382,586) and applicable special profit income for the nine months ended September 30, 2014 was $562,124 (2013 - $1,111,525) and for the three month period ended September 30, 2014 $65,458 (2013 – $150,454).

The Corporation Management Agreement and Mortgage Banking Agreement contain provisions for the payment of termination fees to the Corporation Manager and Mortgage Banker in the event that the respective agreements are either terminated or not renewed.

Several of the Corporation's investments are shared with other investors of the Mortgage Banker, which may include members of management of the Mortgage Banker and/or officers or directors of the Corporation. The Corporation ranks equally with other members of the syndicate as to receipt of principal and income.

Mortgages totaling $17,830,381 (September 30, 2013 - $14,270,327) are outstanding to borrowers controlled by an independent director of the Corporation. Each investment is dealt with in accordance with the Corporation's existing investment and operating guidelines.

Related party transactions are further discussed and detailed in the AIF and in Note 12 to the accompanying financial statements.

INCOME TAXES

The Corporation qualifies as a mortgage investment corporation within the meaning of the Income Tax Act (Canada). As such, the Corporation is entitled to deduct from its taxable income dividends paid to shareholders during the year or within the first 90 days of the following taxation year. In order to maintain its status as a mortgage investment corporation, the Corporation must continually meet all criteria enumerated in the relevant section of the Income Tax Act (Canada) throughout such taxation year. The Corporation intends to maintain its status as a mortgage investment corporation and intends to distribute sufficient dividends in the year and in future years to ensure that the Corporation has no tax payable under the Income Tax Act (Canada). Accordingly, for financial statement reporting purposes, the tax deductibility of the Corporation's dividends results in the Corporation being effectively exempt from taxation and no provision for current or deferred income taxes is required.

ENVIRONMENTAL MATTERS

Under various federal, provincial and municipal laws, an owner or operator of real property could become liable for the cost of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The existence of such liability can have a negative impact on the value of the underlying real property securing a mortgage. The Corporation does not own the real property securing its Investment portfolio and thus would not attract the environmental liability that an owner would be exposed to. In rare circumstances where a mortgage is in default, the Corporation may take possession of real property and may become liable for environmental issues as a mortgagee in possession. The Corporation obtains phase 1 environmental reports for mortgages where the Mortgage Banker determines that such reports would be prudent given the nature of the underlying property. Foreclosed assets held for sale comprise the Corporation's ownership participation in one newly constructed condominium building, which does not have any environmental concerns.

CRITICAL ACCOUNTING ESTIMATES

The determination of the impairment provision for the investment portfolio is a critical accounting estimate.

Investment portfolio is classified as loans and receivables. Such investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition the mortgage loans are measured at amortized cost using the effective interest method, less any impairment losses. The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of the mortgage investments measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows and cash recoveries discounted at the asset's original effective interest rate. Losses are recognized in the statement of income and reflected in an allowance account against the mortgage investments. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income or profit. Management is required to consider the estimated future cash flow recovery from the collateral securing the mortgage investments. The estimation of cash flow recovery is performed on an individual mortgage basis and is based on assumptions pertinent to each mortgage investment. Each mortgage analysis often has unique factors that are considered in determining the cash flow and realizable value of the underlying security. The estimates are based on historical experience and other assumptions that management believes are responsible and appropriate in the circumstances. Actual results may differ from these estimates.

FINANCIAL INSTRUMENTS

The fair value of amounts receivable, bank indebtedness, loan payable on debenture portfolio investment, accounts payable and accrued liabilities and shareholder dividend payable approximate their carrying values due to their short-term nature.

The fair value of investment portfolio approximate its carrying value as the majority of the loans are repayable in full at any time without penalty, and have floating interest rates. There is no quoted price in an active market for the mortgage and loan investments or mortgage syndication liabilities. The Corporation Manager makes its determination of fair value based on its assessment of the current lending market for mortgage and loan investments of same or similar terms. As a result, the fair value of mortgage and loan investments is based on level 3 inputs.

The fair value of marketable security investment has been determined based on the closing price of the security of the respective listed entities on the Toronto Stock Exchange for the respective date.

The fair value of debenture portfolio investment has been determined based on the closing price of convertible debenture securities of the respective listed entities on the Toronto Stock Exchange as of September 30th, 2014.

The fair value of the loans payable approximate their carrying values due to the fact that the majority of the loans are (i) repayable in full, at any time upon the borrower under the underlying loan that secures the loan payable repaying their loan without penalty, and (ii) have floating interest rates linked to bank prime. There is no quoted price in an active market for the mortgage and loan investments or mortgage syndication liabilities. The Corporation Manager makes its determinations of fair value based on its assessment of the current lending market for mortgage and loan investments of same or similar terms.

The fair value of the Corporation's convertible debenture liability, including their conversion option, has been determined based on the closing price of the debentures of the Corporation on the TSX for the respective date. The fair value has been determined at September 30, 2014 to be $99,982,156 (December 31, 2013 - $91,288,044).

CONTRACTUAL OBLIGATIONS

Contractual obligations as at September 30, 2014 are due as follows:

	Total	**Less than 1 Year**	**1 - 3 Years**	**4 - 6 Years**
Bank Indebtedness	$ 29,651,947	$ 29,651,947	-	-
Accounts Payable & Accrued Liabilities	1,975,226	1,975,226	-	-
Loan on Debenture Portfolio Investment	743,644	743,644	-	-
Shareholder Dividend Payable	1,570,541	1,570,541	-	-
Loans Payable	22,126,723	-	22,126,723	-
Convertible Debentures	97,666,000	-	-	97,666,000
Total Liabilities	$ 153,734,081	$ 33,941,358	$ 22,126,723	$ 97,666,000
Future Advances Under Portfolio	78,487,222	78,487,222	-	-
Contractual Obligations	**$ 232,221,303**	**$ 112,428,580**	**$ 22,126,723**	**$ 97,666,000**

SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is described in note 3 of the Corporation's financial statements for the year ended December 31, 2013, with the exception of a new policy adopted for marketable securities as set out below.

MARKETABLE SECURITIES

I. The corporation classifies its financial assets into the following categories: financial assets at fair value through comprehensive income ("FVTPL"), loans and receivables and available for sale. Marketable securities (a balance sheet item for the first time in the third quarter of 2014) have been designated as available for sale. Internal reporting and performance measurement of these investments are on a fair value basis.

NEW ACCOUNTING POLICIES

I. IAS 32, Financial Instruments: Presentation ("IAS 32"): In December, 2011, the IASB published disclosures Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) and issued new disclosure requirements in IFRS 7 with the amendments applied retrospectively. The Entity has noted no impact with respect to its adoption of IFRS 7.
II. Levies: In 2013, the IASB issued (IFRIC 21, "Levies" ("IFRIC 21"). The IFRIC addresses accounting for a liability to pay a levy within the scope of IAS 37, "Provisions, contingent liabilities and contingent assets" ("IAS 37"). A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. The implementation of these standards did not have a significant impact on the financial statements.

- Future changes in accounting policies:
  I. IFRS 9, Financial instruments ("IFRS 9"): In November 2009 the IASB issued IFRS 9, Financial Instruments (IFRS 9 (2009)), and in October 2010 published amendments to IFRS 9 (IFRS 9 (2010)). IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The mandatory effective date is not yet determined. The extent of the impact of adoption of these amendments has not yet been determined.

LIQUIDITY AND CAPITAL RESOURCES

As a result of the Corporation's intent to qualify as a mortgage investment corporation, the Corporation intends to distribute no less than 100% of the taxable income of the Corporation, determined in accordance with the Income Tax Act (Canada), to its shareholders. The result is that growth in the Investment Portfolio can only be achieved through the raising of additional equity, issuing debt and utilizing available borrowing capacity. As at September 30, 2014, the Corporation had not utilized its full leverage availability, being a maximum of 60% of its first mortgage investments. Un-advanced committed funds under the existing Investment Portfolio amounted to $78,487,222 as at September 30, 2014 ($87,303,906 as at December 31, 2013).

These commitments are anticipated to be funded from the Corporation's credit facility and borrower repayments. The Corporation has a revolving line of credit with its principal banker to fund the timing differences between mortgage advances and mortgage repayments. There are limitations in the availability of funds under the revolving line of credit which is made up of a committed component and a demand component. The Corporation's mortgages are predominantly short-term in nature, and as such, the continual repayment by borrowers of existing mortgage investments creates liquidity for ongoing mortgage investments and funding commitments.

RISKS AND UNCERTAINTIES

The Corporation follows investment guidelines and operating policies. The board of directors, in its discretion, may amend or approve investments that exceed these guidelines and policies, as investments are made. These policies govern such matters as: (i) restricting exposure per mortgage investment; (ii) requirements for director approvals; and (iii) implementation of operational risk management policies.

The Corporation is faced with the following ongoing risk factors, among others, that would affect shareholders' equity and the Corporation's ability to generate returns. A greater discussion of risk factors that affect the Corporation are included in the AIF under the section "Risk Factors", which section is incorporated herein by reference.

- *Economic conditions that would result in a significant decline in real estate values and corresponding loan losses.*
- *The inability to obtain borrowings and leverage, thus reducing yield enhancement*.
- *Dependence on the Corporation Manager and Mortgage Banker*. The Corporation's earnings are impacted by the Mortgage Banker's ability to source and generate appropriate investments that provide sufficient yields while maintaining pre-determined risk parameters. The Corporation has also entered into long-term contracts with the Mortgage Banker and the Corporation Manager, as more particularly described in the AIF. The Corporation is exposed to adverse developments in the business and affairs of the Corporation Manager and Mortgage Banker, since the day to day activities of the Corporation are run by the Corporation Manager and since all of the Corporation's investments are originated by the Mortgage Banker.
- *Portfolio face rate fluctuations*. The interest rate earned on the Corporation's Mortgage Portfolio fluctuates given that (i) it continually revolves given that it is short term in nature, and (ii) the portfolio is predominately floating rate interest with floors.
- *Interest rate risk.* The Corporation's operating loan is floating rate and an increase in short term rates would increase the Corporation's cost of borrowing.
- *No guaranteed return*. There is no guarantee as to the return that an investment in Shares of the Corporation will earn.
- *Qualification as a Mortgage Investment Corporation.* Although the Corporation intends to qualify at all times as a mortgage investment corporation, no assurance can be provided in this regard. If for any reason the Corporation does not maintain its qualification as a mortgage investment corporation under the Tax Act, dividends paid by the Corporation on the Shares will cease to be deductible by the Corporation in computing its income and will no longer be deemed by the rules in the Tax Act that apply to mortgage investment corporations to have been received by shareholders as bond interest or a capital gain, as the case may be. In consequence, the rules in the Tax Act regarding the taxation of public corporations and their

shareholders should apply, with the result that the combined corporate and shareholder tax may be significantly greater.

- *Availability of investments*. Our ability to make investments in accordance with our objectives and investment policies depends upon the availability of suitable investments and the general economy and marketplace. Increased competition in the lending market place in which the Corporation operates from chartered banks or other public or private lending entities may impact the availability of suitable investments and achievable investment yields for the Corporation.
- *Limited sources of borrowing*. The Canadian financial marketplace is characterized as having a limited number of financial institutions that provide credit to entities such as ours. The limited availability of sources of credit may limit our ability to take advantage of leveraging opportunities to enhance the yield on our mortgage investments.
- *Specific investment risk for non-conventional mortgage and second mortgage investments*. Non-conventional and second mortgage investments attract higher loan loss risk due to their subordinate ranking to other mortgage charges and sometimes high loan to value ratio. Consequently, this higher risk is compensated for by a higher rate of return. In order to mitigate risk and maintain a well-diversified investment portfolio, the operating policies of the Corporation generally limit the amount of non-first mortgage investments to a maximum of 30% of the Corporation's capital, subject to the board of directors' approval for any modifications to the operating policies.
- *Specific investment risk for land mortgage investments.* Land mortgages pose a unique risk in the event of default in that the work-out period can be lengthy while the asset has no capacity to generate cash flow.
- *Reliance on Borrowers.* After the funding of an investment, we rely on borrowers to maintain adequate insurance and proper adherence to environmental regulations during the ongoing management of their properties.

OUTLOOK

For the balance of 2014 we anticipate that the Corporation will continue to exceed its stated objective of generating a return on its equity of 400 basis points over the average one year Government of Canada Treasury bill yields. We have exceeded this stated objective since going public.

We have continued our shift in our investment portfolio towards more lower yielding investments with lower risk profiles as we continue to feel that there is an overabundance of capital in the real estate market which can lead to real estate overvaluation and has led to inexperienced lenders and landlords/developers entering the market. The overabundance of capital in the market has resulted in borrowers requesting loan structures that incorporate either too much risk exposure or too little return for the loan parameters. The Corporation will not lend in these situations. A contrarian view will continue until management feels comfortable that valuations are solid.

We are proud of our recent yield accomplishments, notwithstanding the competitive lending market. Shareholders should understand the objective is capital preservation through disciplined investment decisions that may, from time to time, warrant lower yielding investments to meet this objective, as we are long term investors.

Condensed Interim Financial Statements of

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

For the Three and Nine Months Ended September 30, 2014 and 2013 (unaudited)

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

The accompanying unaudited condensed interim financial statements of Firm Capital Mortgage Investment Corporation for the nine months ended September 30, 2014 have been prepared by and are the responsibility of management. These unaudited condensed interim financial statements, together with the accompanying notes, have been reviewed and approved by members of Firm Capital Mortgage Investment Corporation's audit committee. In accordance with National Instrument 51 - 102, Firm Capital Mortgage Investment Corporation discloses that these unaudited condensed interim financial statements have not been reviewed by Firm Capital Mortgage Investment Corporation's auditors.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Condensed Interim Balance Sheets

(in Canadian dollars)

As at	Sep. 30, 2014 (unaudited)	Dec. 31, 2013
Assets		
Amounts receivable and prepaid expenses (note 4)	$ 2,885,602	$ 2,926,292
Marketable securities	2,393,869	--
Debenture portfolio investment	1,100,718	606,016
Investment portfolio (note 5)	353,355,850	336,296,485
Total assets	$ 359,736,039	$ 339,828,793
Liabilities and Shareholders' Equity		
Bank indebtedness (note 6)	$ 29,651,947	$ 44,765,238
Loan on debenture portfolio investment	743,644	292,158
Accounts payable and accrued liabilities	1,975,226	2,090,661
Unearned income	672,309	653,191
Shareholder dividend payable	1,570,541	2,283,878
Loans payable (note 7)	22,126,723	11,278,971
Convertible debentures (note 8)	93,511,810	92,817,840
0	150,252,200	154,181,937
Share capital	209,000,437	185,868,682
Retained earnings / (deficit)	238,323	(221,826)
Available for sale financial asset reserve	245,079	--
Total shareholders' equity	209,483,839	185,646,856
Commitments (note 5)		
Contingent liabilities (note 14)		
Total liabilities and shareholders' equity	$ 359,736,039	$ 339,828,793

See accompanying notes to unaudited condensed interim financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Unaudited Condensed Interim Statements of Income

(in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Interest and fees earned	$ 7,795,833	$ 7,060,756	$ 22,992,947	$ 21,065,368
	7,795,833	7,060,756	22,992,947	21,065,368
Corporation manager interest allocation (note 12)	715,075	562,543	1,950,122	1,656,244
Interest expense (note 13)	2,098,065	1,780,452	5,823,029	5,491,373
General and administrative expenses	184,928	237,771	651,803	715,470
	2,998,068	2,580,766	8,424,954	7,863,087
Total income and profit for the period	$ 4,797,765	$ 4,479,990	$ 14,567,993	$ 13,202,281
Profit per share (note 10)				
Basic	$0.239	$0.247	$0.730	$0.747
Diluted	$0.237	$0.244	$0.723	$0.723

0

See accompanying notes to unaudited condensed interim financial statements

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Unaudited Condensed Interim Statements of Comprehensive Income

(in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Total income and profit for the period	$ 4,797,765	$ 4,479,990	$ 14,567,993	$ 13,202,281
Other comprehensive income:				
Increase in fair value of marketable securities	245,079	--	245,079	--
Total comprehensive income for the period	$ 5,042,844	$ 4,479,990	$ 14,813,072	$ 13,202,281

See accompanying notes to unaudited condensed interim financial statements

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION
Unaudited Condensed Interim Statements of Changes in Equity

(in Canadian dollars)

	Nine Months Ended	
	Sep. 30, 2014	Sep. 30, 2013
Shares (note 9):		
Balance, beginning of period	$ 183,908,682	$ 174,982,358
Proceeds from issuance of shares	24,317,997	1,609,913
Offering Costs	(1,186,242)	-
Conversion of debentures to shares	-	7,137,393
Balance, end of period	$ 207,040,437	$ 183,729,664
Equity component of convertible debentures:		
Balance, beginning of period	$ 1,960,000	$ 1,717,876
0	-	(12,251)
Equity component of debentures issued during the period	-	430,000
Balance, end of period	$ 1,960,000	$ 2,135,625
Total share capital	**$ 209,000,437**	**$ 185,865,289**
Retained Earnings / (Deficit):		
Deficit, beginning of period	$ (221,826)	$ (321,826)
Dividends to shareholders	(14,107,844)	(12,496,364)
Income and profit for the period	14,567,993	13,202,281
Retained earnings, end of period	**$ 238,323**	**$ 384,091**
Financial Asset Reserve:		
Beginning of period	-	-
Increase in fair value during the period	245,079	-
Available for sale financial asset reserve, end of period	**$ 245,079**	**$ -**
Total Shareholders' Equity	$ 209,483,839	$ 186,249,380
Shares issued and outstanding (note 9)	20,135,137	18,125,733

See accompanying notes to unaudited condensed interim financial statements

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Unaudited Condensed Interim Statements of Cash Flow

(in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	Sep. 30, 2014	Sep. 30, 2013	Sep. 30, 2014	Sep. 30, 2013
Cash provided by (used in):				
Operating activities:				
Total comprehensive income and profit for the period	$ 4,797,765	$ 4,479,990	$ 14,567,993	$ 13,202,281
Adjustments for:				
Interest expense (net of implicit interest rate and accrued interest)	1,864,001	1,548,219	5,129,059	4,738,763
Implicit interest rate in excess of coupon rate - convertible debentures	64,787	61,235	191,654	201,349
Deferred finance cost amortization - convertible debentures	169,279	170,997	502,316	551,260
Net change in non-cash items:				
Decrease/(increase) in accrued interest	343,761	410,620	348,134	168,349
Decrease/(increase) in amounts receivable and prepaid expenses	566,668	104,246	40,690	650,044
0 Increase/(decrease) in accounts payable and accrued liabilities	(241,805)	(476,221)	(115,435)	(88,440)
Increase/(decrease) in unearned income	69,256	(62,860)	19,118	32,872
Net cash flow from operating activities	7,633,712	6,236,226	20,683,529	19,456,478
Financing activities:				
Proceeds from issuance of shares	487,979	513,871	24,317,997	1,610,377
Repayment of convertible debentures	--	--	--	(2,255,000)
Proceeds from convertible debenture issued	--	--	--	20,000,000
Debenture offering costs	--	(48,040)	--	(1,054,921)
Offering costs (equity)	--	--	(1,186,242)	--
Funding/(repayment) of loans payable (net)	(1,109,482)	(222,408)	10,847,752	(790,843)
Funding/(repayment) of loan on debenture portfolio	397,224	--	451,486	--
Cash interest paid	(2,207,760)	(1,958,839)	(5,477,193)	(4,907,113)
Dividends to shareholders paid during the period	(4,705,529)	(4,193,254)	(14,821,181)	(13,382,906)
Net cash flow from financing activities	(7,137,568)	(5,908,670)	14,132,619	(780,406)
Investing activities:				
Net purchases/sales of marketable securities	(2,148,790)	--	(2,148,790)	--
Funding of debenture portfolio investment	(420,000)	--	(494,702)	--
Funding of investments portfolio	(97,189,239)	(54,764,561)	(243,055,086)	(179,480,983)
Discharge of investments portfolio	85,395,950	64,879,844	225,995,721	167,960,813
Net cash flow used in investing activities	(14,362,079)	10,115,283	(19,702,857)	(11,520,170)
Bank indebtedness, beginning of period	(15,786,012)	(27,666,088)	(44,765,238)	(24,379,151)
Net (increase)/decrease in bank indebtedness for the period	(13,865,935)	10,442,839	15,113,291	7,155,902
Bank indebtedness, end of period	$ (29,651,947)	$ (17,223,249)	$ (29,651,947)	$ (17,223,249)
Cash flows from operating activities include:				
Interest received	$ 7,618,306	$ 6,544,211	$ 21,439,767	$ 19,455,091

See accompanying notes to unaudited condensed interim financial statements

1. Organization of Corporation:

On November 30, 2010, Firm Capital Mortgage Investment Trust (the "Trust") entered into a plan of arrangement ("Reorganization"), whereby the Trust was converted from an income trust structure into the public corporation, Firm Capital Mortgage Investment Corporation, effective January 1, 2011. The Corporation was incorporated pursuant to the Laws of the Province of Ontario on October 22, 2010 for the purposes of participating in the Reorganization.

Pursuant to the Reorganization, units of the Trust were exchanged on a one-for-one basis for common shares of the Corporation. Holders of units therefore became the sole shareholders of the Corporation effective January 1, 2011.

As part of the Reorganization, the Trust was wound up and its assets were distributed to the Corporation. The Reorganization was treated as a change in business form rather than a change in control, and therefore, has been accounted for as a continuity of interest. The carrying amounts of assets, liabilities, and shareholders' equity in the financial statements of the Trust immediately prior to the Reorganization were the same as the carrying values of the Corporation immediately following the Reorganization.

2. Basis of presentation:

The unaudited condensed interim financial statements of the Corporation have been prepared by management in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). The preparation of these unaudited condensed interim financial statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). The accompanying unaudited condensed interim financial statements should be read in conjunction with the notes to the Corporation's audited financial statements for the year ended December 31, 2013, since they do not contain all disclosures required by IFRS for annual financial statements. These unaudited condensed interim financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

These unaudited condensed interim financial statements have been prepared on the historical cost basis, except for financial instruments classified as fair value through comprehensive income and financial instruments classified as available for sale, which are measured at fair value. These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

These unaudited condensed interim financial statements were approved by the Board of Directors on November 6, 2014

3. Significant accounting policies:

The accounting policies applied by the Corporation in these unaudited condensed interim financial statements are the same as those applied by the Corporation in its financial statements for the year ended December 31, 2013, with the exception of a new policy adopted for marketable securities as set out below.

Marketable Securities:

(a) The corporation classifies its financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available for sale. Marketable securities have been designated as available for sale. Internal reporting and performance measurement of these investments are on a fair value basis.

New accounting policies:

(a) (i) IAS 32, Financial Instruments: Presentation ("IAS 32"):

In December, 2011, the IASB published disclosures Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) and issued new disclosure requirements in IFRS 7 with the amendments applied retrospectively. The Entity has noted no impact with respect to its adoption of IFRS 7.

(ii) Levies:

In 2013, the IASB issued (IFRIC 21, "Levies" ("IFRIC 21"). The IFRIC addresses accounting for a liability to pay a levy within the scope of IAS 37, "Provisions, contingent liabilities and contingent assets" ("IAS 37"). A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. The implementation of these standards did not have a significant impact on the financial statements.

(b) Future changes in accounting policies:

(i) IFRS 9, Financial instruments ("IFRS 9"):

In November 2009 the IASB issued IFRS 9, Financial Instruments (IFRS 9 (2009)), and in October 2010 published amendments to IFRS 9 (IFRS 9 (2010)). IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The mandatory effective date is not yet determined. The extent of the impact of adoption of these amendments has not yet been determined.

4. Amounts receivable and prepaid expenses:

The following is a breakdown of amounts receivable and prepaid expenses as at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Interest receivable	$2,351,835	$2,371,476
Prepaid expenses	167,800	117,002
Fees receivable	309,718	224,083
Special income receivable	-	157,500
Accounts receivable	56,249	56,231
Amounts receivable and prepaid expenses	$2,885,602	$2,926,292

5. Investment portfolio:

The following is a breakdown of the investment portfolio as at September 30, 2014 and December 31, 2013:

	September 30, 2014		December 31, 2013	
Conventional first mortgages (note 1)	$248,318,984	69.62%	$217,909,340	64.16%
Conventional non-first mortgages	34,786,704	9.75%	30,597,843	9.01%
Related investments	53,711,742	15.06%	58,124,384	17.11%
Discounted debt Investments	4,903,900	1.37%	5,010,150	1.48%
Non-conventional mortgages	14,964,520	4.20%	27,984,768	8.24%
Total investments (at cost)	$356,685,850	100.00%	$339,626,485	100.00%
Impairment provision	(3,330,000)		(3,330,000)	
Investment portfolio	$353,355,850		$336,296,485	

Note 1: $29,674,031 of the mortgages within the Conventional first mortgage portfolio have first priority syndicate participations totalling $22,126,723 (recorded on the Corporation's balance sheet as loan payable). The Corporation's net investment in these mortgages is $7,547,308.

Conventional first mortgages are loans secured by a first priority mortgage charge with loan to values not exceeding 75%. Conventional non-first mortgages are loans with mortgage charges not registered in first priority with loan to values not exceeding 75%. Related investments are loans that may not necessarily be secured by mortgage charge security. Discounted debt investments are loans purchased from arms-length third parties at a discount to their face value. Non-conventional mortgages are loans that in some cases have loan to values that exceed or may exceed 75% and are investments that are the source of all special profit participation earned by the Corporation.

Investment portfolio is stated at amortized cost. The impairment provision in the amount of $3,330,000 as at September 30, 2014 represents the total amount of management's estimate of the shortfall between the investment principal balances and the estimated recoverable amount from the security under the loans.

The loans comprising the Investment portfolio bear interest at the weighted average rate of 8.45% per annum (December 31, 2013 - 8.58% per annum) and mature between 2014 and 2018.

The un-advanced funds under the existing investment portfolio (which are commitments of the Corporation) amounted to $78,487,222 as at September 30, 2014 (December 31, 2013 - $87,303,906).

Principal repayments based on contractual maturity dates are as follows:

Balance of 2014	$67,398,751
2015	195,737,444
2016	79,764,655
2017	13,365,000
2018	420,000
	$356,685,850

Borrowers who have open loans have the option to repay principal at any time prior to the maturity date.

The Corporation enters into participation agreements with respect to certain mortgage investments from time to time, whereby the other participating investors take the senior position and the Corporation retains a subordinated position. Under certain of these participation agreements, the Corporation has retained a residual portion of the credit and/or default risk as a result of holding the subordinated interest in the mortgage and has therefore not met the de-recognition criteria described in notes to the annual financial statements

The portion of such mortgage interests which have been transferred to other participating investors is included in investment portfolio and recorded as loans payable. Any interest and fees earned on the transferred participation interests and the related interest expense is recognized in income and profit.

As at September 30, 2014 the carrying value of the transferred participating interests in the Corporations investment portfolio and loans payable is $22,126,723 (December 31, 2013 - $11,278,971).

6. Bank indebtedness:

The Corporation has entered into credit arrangements, of which $29,651,947 has been drawn as at September 30, 2014 (December 31, 2013 - $44,765,238). Interest on bank indebtedness is predominantly charged at a formula rate that varies with bank prime and may have a component with a fixed interest rate established based on a formula linked to Bankers Acceptance rates. The credit arrangement comprises a revolving operating facililty, a component of which is a demand facility and a component of which has a committed term to September 30, 2015. Bank indebtedness is secured by a general security agreement. The credit agreement contains certain financial covenants that must be maintained. As at September 30, 2014 and December 31, 2013, the Corporation was in compliance with all financial covenants.

7. Loans payable:

First priority charges on specific mortgage investments have been granted as security for the loans payable. The loans mature on dates consistent with those of the underlying mortgages. The loans are on a non-recourse basis and bear interest at rates ranging from 4.75% to 5.89% as at September 30, 2014 (December 31, 2013 - 4.60% to 6.45%). The Corporation's principal balance outstanding under the mortgages for which a first priority charge has been granted is $29,674,031 as at September 30, 2014 (December 31, 2013 - $27,307,362).

The loans are repayable at the earlier of the contractual expiry date of the underlying mortgage investment and the date the underlying mortgage is repaid. Repayments based on contractual maturity dates are as follows:

2015	$17,809,223
2016	4,317,500
	$22,126,723

8. Convertible debentures:

	Nine Months Ended September 30, 2014 Total Debentures	Year Ended December 31, 2013 Total Debentures
Principal balance, beginning of period	$92,817,840	$82,698,573
Issued	-	18,515,417
Conversions	-	(7,125,142)
Repayments upon maturity	-	(2,255,000)
Implicit interest rate in excess of coupon rate	191,654	263,454
Deferred finance cost amortization	502,316	720,538
Principal balance, end of period	$93,511,810	$92,817,840

The breakdown of the Total Debentures for the nine months ended September 30, 2014 presented in the above table is as follows:

	5.75% Convertible Debenture	**5.40%** Convertible Debenture	**5.25%** Convertible Debenture	**4.75%** Convertible Debenture	TOTAL
Principal balance, beginning of period	$30,504,616	$24,404,258	$19,237,642	$18,671,324	$92,817,840
Issued	-	-	-	-	-
Conversions	-	-	-	-	-
Implicit interest rate in excess of coupon rate	24,377	59,122	67,590	40,565	$191,654
Deferred finance cost amortization	158,148	129,737	100,636	113,795	$502,316
Repayments upon maturity	-	-	-	-	-
Principal balance, end of period	$30,687,141	$24,593,117	$19,405,868	$18,825,684	$93,511,810
Maturity Date	Oct 31, 2017	Feb 28, 2019	Mar 31, 2019	Mar 31, 2020	

The breakdown of the Total Debentures for the year ended December 31, 2013 is as follows:

	6.00% Convertible Debenture	5.75% Convertible Debenture	5.40% Convertible Debenture	5.25% Convertible Debenture	4.75% Convertible Debenture	TOTAL
Principal balance, beginning of year	$9,263,022	$30,262,286	$24,155,841	$19,017,424	-	$82,698,573
Issued	-	-	-	-	18,515,417	$18,515,417
Conversions	(7,125,142)	-	-	-	-	($7,125,142)
Implicit interest rate in excess of coupon rate	32,328	30,887	74,959	85,669	39,611	$263,454
Deferred finance cost amortization	84,792	211,443	173,458	134,549	116,296	$720,538
Repayments upon maturity	(2,255,000)	-	-	-	-	($2,255,000)
Principal balance, end of year	-	$30,504,616	$24,404,258	$19,237,642	$18,671,324	$92,817,840

In the first quarter of 2013, the Corporation completed a public offering of 20,000, 4.75% convertible unsecured subordinated debentures at a price of $1,000 per debenture for gross proceeds of $20,000,000. The debentures mature on March 31, 2020 and interest is paid semi-annually on March 31 and September 30. The debentures are convertible at the option of the holder at any time prior to the maturity date at a conversion price of $15.80. The debentures may not be redeemed by the Corporation prior to March 31, 2016. On or after March 31, 2016, but prior to March 31, 2017, the debentures are redeemable at a price equal to the principal, plus accrued interest, at the Corporation's option on not more than 60 days' and not less than 30 days' notice, provided that the weighted average trading price of the shares on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2017 and prior to the maturity date, the debentures are redeemable at a price equal to the principal amount plus accrued interest, at the Corporation's option on not more than 60 days' and not less than 30 days' prior notice. On redemption or at maturity, the Corporation may, at its option, elect to satisfy its obligation to pay all or a portion of the principal of the debenture by issuing that number of shares of the Corporation obtained by dividing the principal amount being repaid by 95% of the weighted average trading price of the shares for the 20 consecutive trading days ending on the fifth day preceding the redemption or maturity date.

The convertible debentures were allocated into liability and equity components on the date of issuance as follows:

Liability	$19,570,000
Equity	430,000
Principal	$20,000,000

As at September 30, 2014, debentures payable bear interest at weighted average effective rate of 5.35% (December 31, 2013 - 5.35%) per annum. Notwithstanding the carrying value of the convertible debentures, the principal balance outstanding to the debenture holders is $97,666,000 as at September 30, 2014 (December 31, 2013 - $97,666,000).

9. Shareholders' equity:

On January 1, 2011, all outstanding units were exchanged on a one-for-one basis for common shares of the Corporation, as described in Note 1. The beneficial interests in the Corporation are represented by a single class of shares which are unlimited in number. Each share carries a single vote at any meeting of shareholders and carries the right to participate pro rata in any dividends.

(a) Shares issued and outstanding:

The following shares were issued and outstanding as at September 30, 2014:

	# of shares	Amount
Balance, beginning of period	18,126,021	$183,908,682
New shares from equity offering	1,955,000	23,655,500
Equity offering costs	-	(1,186,242)
New shares issued during the period under Dividend Reinvestment Plan	54,116	662,497
Balance, end of period	20,135,137	$207,040,437

The following shares were issued and outstanding as at December 31, 2013:

	# of shares	Amount
Balance, beginning of year	17,425,884	$174,982,358
New shares from conversion of debentures	574,204	7,137,393
New shares issued during the year under Dividend Reinvestment Plan	125,645	1,609,913
Balance, end of year	18,125,733	$183,729,664

In the first quarter of 2014, the Corporation completed a public offering of 1,955,000 shares at $12.10 per share.

(b) Incentive option plan:
In the fourth quarter of 2013, the Corporation granted 1,040,000 options at an exercise price of $11.78 per share. These options fully vested upon granting. During the year ended December 31, 2013, the Corporation recognized $100,000 compensation expense in the statement of comprehensive income under General and Administrative Expenses (2012 - NIL). Fair value of these options was determined using Black-Scholes option pricing model with the following assumptions:

Average expected option holding period	10 Years
Average expected volatility rate	12.04%
Average dividend yield	8.31%
Average risk-free interest rate	3.01%

The average expected option holding period is estimated to be the full life of the respective option contract.

Expected volatility is based on the historical volatility of the Corporation's shares (and comparable companies). The risk-free interest rate is the yield on zero-coupon Government of Canada bonds of a term consistent with the assumed option life.

As at September 30, 2014, no options were exercised and 1,040,000 remained outstanding (December 31, 2013 - 1,040,000).

(c) Dividend reinvestment plan and direct share purchase plan:

The Corporation has a dividend reinvestment plan and direct share purchase plan for its shareholders which allows participants to reinvest their monthly cash dividends in additional shares of the Corporation at a share price equivalent to the weighted average price of shares for the preceding five-day period.

10. Per share amounts:

Profit per share calculation:

The following table reconcile the numerators and denominators of the basic and diluted profit per share for the three and nine months ended September 30, 2014 and 2013.

Basic profit per share calculation:

	Three months ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Numerator for basic profit per share:				
Net income and profit for the period	$ 4,797,765	$4,479,990	$14,567,993	$13,202,281
Denominator for basic profit per share:				
Weighted average shares	20,115,720	18,104,908	19,949,114	17,678,789
Basic profit per share	$0.239	$0.247	$0.730	$0.747

Diluted profit per share calculation:

	Three months ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Numerator for diluted profit per share:				
Net income and profit for the period	$4,797,765	$4,479,990	$14,567,993	$13,202,281
Interest on convertible debentures	1,025,938	1,023,896	3,072,931	2,784,053
Net profit for diluted profit per share	$5,823,703	$5,503,886	$17,640,924	$15,986,334
Denominator for diluted profit per share:				
Weighted average shares	20,115,720	18,104,908	19,949,114	17,678,789
Net shares that would be issued:				
Assuming debentures are converted	4,443,533	4,443,533	4,443,533	4,443,533
Diluted weighted average shares	24,559,253	22,548,441	24,392,647	22,122,322
Diluted profit per share:	$0.237	$0.244	$0.723	$0.723

11. Dividends:

The Corporation intends to make dividend payments to the shareholders on a monthly basis on or about the 15th day of each month. The operating policies of the Corporation set out that the Corporation intends to distribute to shareholders within 90 days after the year end at least 100% of the net income of the Corporation determined in accordance with the Income Tax Act (Canada), subject to certain adjustments.

For the nine months ended September 30, 2014, the Corporation recorded dividends of $14,107,844 (2013 - $12,496,364) to its shareholders. Dividends were $0.702 per share (2013 - $0.702 per share).

12. Related party transactions and balances:

The Corporation's Manager (a company related to each of Eli Dadouch, Jonathan Mair and Edward Gilbert) receives an allocation of interest, referred to as Corporation Manager spread interest, calculated at 0.75% per annum of the Corporation's daily outstanding performing investment balances. For the nine months ended September 30, 2014, this amount was $1,950,122 (2013 - $1,656,244) and for the three month period ending September 30, 2014 this amount was $715,075 (2013 - $562,543). Included in accounts payable and accrued liabilities at September 30, 2014 are amounts payable to the Corporation's Manager of $446,246 (December 31, 2013 - $208,649).

The total directors' fee paid for the nine months ended September 30, 2014 was $122,625 (2013 - $122,625). The listing of the members of the board of directors is shown in the annual report. The key management personnel are also directors of the Corporation and receive compensation from the Corporation Manager. The directors held 452,784 shares in the Corporation as at September 30, 2014.

During the year-ended December 31, 2013, directors were awarded 780,000 options under the Incentive Option Plan.

The Mortgage Banker (a company related to the President of the Corporation, Eli Dadouch) receives certain fees from the borrowers as follows: loan servicing fees equal to 0.10% per annum on the principal amount of each of the Corporation's investments; 75% of all the commitment and renewal fees generated from the Corporation's investments; and 25% of all the special profit income generated from the non-conventional investments after the Corporation has yielded a 10% per annum return on its investments. Interest and fee income is net of the loan servicing fees paid to the Mortgage Banker of approximately $260,000 for the nine months ended September 30, 2014 (September 30, 2013 - $221,000). The Mortgage Banker also retains all overnight float interest and incidental fees and charges payable by borrowers on the Corporation's investments. The Corporation's share of commitment and renewal fees is recorded in income and for the nine months ended September 30, 2014 was $1,010,696 (2013 - $1,025,668) and for the three month period ended September 30, 2014 was $360,574 (2013 - $382,587) and applicable special profit income for the nine months ended September 30, 2014 was $516,913 (2013 - $1,111,525) and for the three month period ended September 30, 2014 was $39,162 (2013 - $150,454).

The Corporation's Management Agreement and Mortgage Banking Agreement contains provisions for the payment and termination fees to the Corporation Manager and Mortgage Banker in the event that the respective agreements are either terminated or not renewed.

Several of the Corporation's investments are shared with other investors of the Mortgage Banker, which may include members of management of the Mortgage Banker and/or Officers or directors of the Corporation. The Corporation ranks equally with other members of the syndicate as to receipt of principal and income.

Mortgage investments totalling $17,830,381 (2013 - $14,270,327) were issued to borrowers controlled by certain directors of the Corporation. Each investment is dealt with in accordance with the Corporation's existing investment and operating policies and is personally guaranteed by the related directors.

Key management compensation:

Aggregate compensation paid to key management personnel (all being short term employee benefits) was $450,043 for the quarter ended September 30, 2014 (2013 - $292,220), all of which was paid by the Mortgage Banker and nothing by the Corporation.

13. Interest expense:

	Three months ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Bank interest expense	$271,923	$141,669	$677,656	$506,406
Loans payable interest expense	286,254	98,107	533,938	305,663
Debenture interest expense	1,539,888	1,540,676	4,611,435	4,679,304
Interest expense	**$2,098,065**	**$1,780,452**	**$5,823,029**	**$5,491,373**
Deferred finance cost amortization - convertible debentures	(169,279)	(170,997)	(502,316)	(551,260)
Implicit interest rate in excess of coupon rate - convertible debentures	(64,787)	(61,235)	(191,654)	(201,349)
Change in accrued interest	343,761	410,620	348,134	168,349
Cash interest paid	**$2,207,760**	**$1,958,839**	**$5,477,193**	**$4,907,113**

14. Contingent liabilities:

The Corporation is involved in certain litigation arising out of the ordinary course of investing in loans. Although such matters cannot be predicted with certainty, management believes the claims are without merit and does not consider the Corporation's exposure to such litigation to have an impact on these financial statements.

15. Fair value:

The fair values of amounts receivable, bank indebtedness, accounts payable and accrued liabilities and shareholder dividend payable approximate their carrying values due to their short-term maturities.

The fair value of investment portfolio approximates its carrying value as the majority of the loans are repayable in full at any time without penalty, and have floating interest rates. There is no quoted price in an active market for the mortgage and loan investments or mortgage syndication liabilities. The corporate manager makes its determinations of fair value based on its assessment of the current lending market for mortgage and loan investments of same or similar terms. As a result the fair value of mortgage and loan investments is based on level 3 on the fair value hierarchy.

The fair values of loans payable approximate their carrying values due to the fact that the majority of the loans are: (i) repayable in full, at any time upon the borrower under the underlying loan that secures the loan payable repaying their loan without penalty, and (ii) have floating interest rates linked to bank prime.

The fair value of convertible debentures, including their conversion option, has been determined based on the closing price of the debentures of the Corporation on the Toronto Stock Exchange for the respective date.

The fair value of marketable security investment has been determined based on the closing price of the security of the respective listed entities on the Toronto Stock Exchange for the respective date.

The fair value of debenture portfolio investment has been determined based on the closing price of convertible debenture securities of the respective listed entities on the Toronto Stock Exchange for the respective date.

The fair value of loan on debenture portfolio approximates its carrying value due to the fact that it is fully open for repayment and has floating rate interest.

The tables below present the fair values of the Corporation's financial instruments as at September 30, 2014 and 2013. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

September 30, 2014	Level 1	Level 2	Level 3	Total
Debenture portfolio investment	$ 1,100,718			$ 1,100,718
Marketable securities	2,393,869	-	-	2,393,869
Convertible debentures	99,982,156	-	-	99,982,156
	$ 103,476,743	-	-	$ 103,476,743

September 30, 2013	Level 1	Level 2	Level 3	Total
Convertible debentures	$ 92,671,533	-	-	$ 92,671,533
	$ 92,671,533	-	-	$ 92,671,533