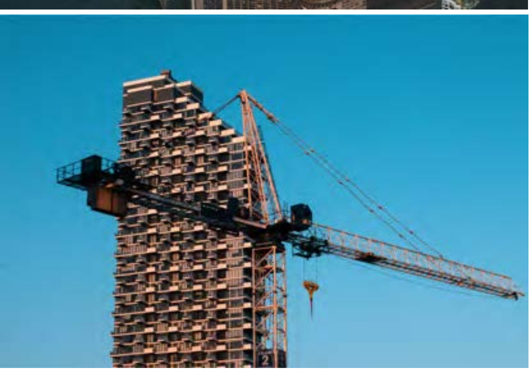
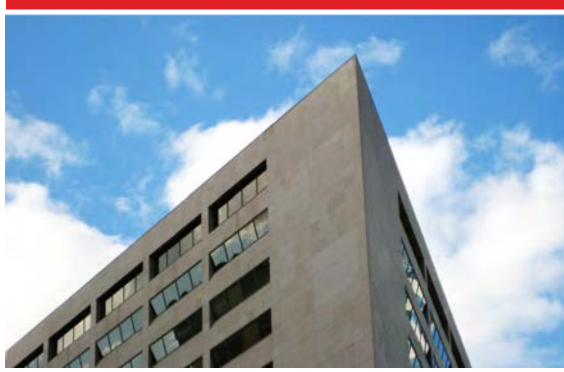






2021 ANNUAL REPORT


BUILDING RELATIONSHIPS

A REAL ESTATE CAPITAL FINANCE COMPANY

DISCIPLINED INVESTING • CAPITAL PRESERVATION

Firm Capital
Mortgage Investment Corporation

LETTER TO SHAREHOLDERS

We are pleased to report to you on the 2021 results for Firm Capital Mortgage Investment Corporation (the “Corporation”).

Managing risk and maintaining a strong balance sheet is our main priority. We mitigate risk by maintaining a diversified portfolio that has the majority of the investments shared with other investor partners. We are continually monitoring all markets and rebalancing the portfolio to reflect the current environment and market conditions. In 2021, we were able to generate dividends to Shareholders of $0.948 per share, while maintaining our loan loss provision at 1% of the Corporation’s investment portfolio.

HIGHLIGHTS

DIVIDENDS

For the year ended December 31, 2021, the Corporation declared dividends totaling $0.948 per share versus $0.944 per share for the year ended December 31, 2020. The December 2021 special dividend was 1.2 cents per share.

PROFIT

Income and profit (referred to herein as “Profit”) for year ended December 31, 2021, of $29,985,385 represents approximately a 13.8% increase compared to $26,353,473 reported for the year ended December 31, 2020. Basic weighted average profit per share for the year ended December 31, 2021, was $0.950, which is 4.1% higher compared to the $0.913 per share reported for the year ended December 31, 2020.

INVESTMENT PORTFOLIO

The Corporation’s Investment Portfolio at December 31, 2021 totaled $642.5 million (before impairment provision) consisting of 224 separate investments. The average interest rate on the Corporation’s investments at December 31, 2021 was 7.91% per annum.

SHORT TERM PORTFOLIO WITH SIGNIFICANT ANNUAL TURNOVER

In 2021, the Investment Portfolio repayments totaled $432.0 million, with new investments during the year totaling $515.5 million. This turn is the key to our investment approach and demonstrates the short term bridge financing nature of the portfolio.

2022 OUTLOOK

We encourage Shareholders to read the Management Discussion and Analysis in this report and our Outlook for 2022.

ELI DADOUCH
President, Chief Executive Officer

RYAN LIM
Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

OUR BUSINESS

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 are able to 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 select niche real estate markets that are under-serviced by larger financial institutions.

The Corporation's more specific objective is to hold an investment portfolio that:

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

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, with the DRIP, 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 Plans, and its investment portfolio is available on the Corporation's 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.

RECENT DEVELOPMENTS AND OUTLOOK

The Corporation's investment portfolio (the "Investment Portfolio") has continued to revolve in 2021 with significant investment repayments and new fundings. Management's position continues to be that we will turn the Investment Portfolio, if need be, at lower interest rates to ensure we originate solid investments. During the year ended December 31, 2021, new fundings and discharges of investments were $516 million and $432 million respectively (2020 – $399 million and $321 million).

In 2022, the Corporation expects to revolve the Investment Portfolio selectively, with an investment policy of holding a hard line on acceptable exposure levels, borrower quality and warranted interest rate pricing. There are no assurances on achievable new lending interest rates or portfolio size as the primary focus is on security. The Mortgage Banker continues to reject a significant number of potential investments that do not meet our investment criteria and risk tolerance.

BASIS OF PRESENTATION

The Corporation has adopted International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, as its basis of financial reporting. The Corporation's functional and reporting currency is the Canadian dollar.

The following Management's Discussion and Analysis ("MD&A") is dated as of March 8, 2022 and should be read in conjunction with the audited consolidated financial statements of the Corporation and the notes thereto as at, and for the years ended December 31, 2021, and 2020, as well as the Corporation's Management's Discussion and Analysis, including the section on "Risks and Uncertainties", and each of our quarterly reports for 2021 and 2020.

HIGHLIGHTS

NET INCOME

For the three months ended December 31, 2021 net income increased by 5.7% to $7,734,278 as compared to $7,318,366 reported for the same period in 2020.

For the year ended December 31, 2021 net income increased by 13.8% to $29,985,385 as compared to $26,353,473 for the year ended December 31, 2020.

EARNINGS PER SHARE

Basic weighted average earnings per share for the three months ended December 31, 2021 was $0.234 (2020 – $0.249). Basic weighted average earnings per share for the year ended December 31, 2021, was $0.950 (2020 – $0.913).

Diluted weighted average earnings per share for the three months ended December 31, 2021 was $0.223 (2020 – $0.247). Diluted weighted average earnings per share for the year ended December 31, 2021 was $0.942 (2020 – $0.909).

REVENUES

Revenues for the three months ended December 31, 2021 increased by 11.3% to $13,046,022 as compared to $11,719,759 reported for the same period in 2020. Revenues for the year ended December 31, 2021 increased by 8.4% to $47,904,954 as compared to $44,176,297 for the year ended December 31, 2020. The increase is primarily a result of (i) higher interest income due to a larger average Investment Portfolio size (the portfolio size was on average $46 million higher in 2021, a relative increase of 15% over 2020), offset by a decrease in average interest rate and (ii) an increase in fee income and other income of $942,161.

INVESTMENT PORTFOLIO

The Corporation's Investment Portfolio increased by $83.5 million to $642,531,533 as at December 31, 2021, in comparison to $559,007,922 as at December 31, 2020 (in each case, gross of impairment allowance and fair value adjustment). The allowance for impairment and fair value adjustment as of December 31, 2021 was $5,750,000 (December 31, 2020 allowance for impairment only – $5,609,000).

RETURN ON EQUITY

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. Income for the year ended December 31, 2021, represented a return on total shareholders' equity (based on the month end average total shareholders' equity in the year) of 8.46%, representing a return on total shareholders' equity of 771 basis points per annum over the average one-year Government of Canada Treasury bill yield of 0.75%. The above return on total 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 the Corporation's shareholders as it provides a measure of return generated on the Corporation's equity base.

CAPITAL RAISING ACTIVITIES

In September 2021, the Corporation completed a public offering on a bought deal basis of 46,000 5.0% convertible unsecured subordinated debentures for gross proceeds of $46 million on September 30, 2028. In November 2021, the Corporation along with certain shareholders (the "Selling Shareholders") completed the sale on a bought deal basis, of a total of 1,936,000 common shares of the Corporation (the "Shares") at a price of $14.85 per Share with 1,466,600 Shares issued from treasury by the Corporation for gross proceeds of approximately $22 million (the "Treasury Offering") and 470,000 Shares sold by the Selling Shareholders for aggregate gross proceeds to the Selling Shareholders of approximately $7 million. Subsequent to year end, in January 2022, the Corporation completed a public offering on a bought deal basis of 43,700 5.0% convertible unsecured subordinated debentures for gross proceeds of $43.7 million for maturity on March 31, 2029. The net proceeds from the debenture offerings and Treasury Offering were used to repay bank indebtedness and for general corporate purposes.

INVESTMENT PORTFOLIO

The Corporation’s Investment Portfolio was $642,531,533 as at December 31, 2021 (net of the allowance for impairment of $3,150,000 and fair value loss adjustment of $2,600,000) and was $559,007,922 as at December 31, 2020 (net of the allowance for impairment of $5,609,000 and a nil fair value adjustment). On December 31, 2021, the Investment Portfolio comprised of 224 investments (183 as at December 31, 2020). The average gross investment size was approximately $2.9 million, with 20 investments individually exceeding $7.5 million. As at December 31, 2020, 23 of the 183 investments exceeded $7.5 million.

	December 31, 2021			December 31, 2020			
Mortgage Amount	**Number**	**Total Amount (before provision)**	**% of Portfolio**	**Number**	**Total Amount (before provision)**	**% of Portfolio**	***% Change***
$0 - $2,500,000	150	$139,782,051	21.8%	130	$ 124,049,075	22.2%	*12.7%*
$2,500,001 - $5,000,000	42	150,290,014	23.4%	22	81,408,128	14.6%	*84.6%*
$5,000,001 - $7,500,000	12	71,395,108	11.1%	8	50,790,465	9.1%	*40.6%*
$7,500,001 +	20	281,064,360	43.7%	23	302,760,253	54.1%	*(7.2%)*
Total Investments	**224**	**$642,531,533**	**100%**	**183**	**$ 559,007,922**	**100%**	***14.9%***
Less: Impairment allowance		(3,150,000)			(5,609,000)		
Less: Fair value adjustment		(2,600,000)			-		
Investment Portfolio		**$636,781,533**			**$ 553,398,922**		***15.1%***

Unadvanced committed funds under the existing Investment Portfolio amounted to $116 million as at December 31, 2021 (December 31, 2020 – $108 million).

The allocation of the Investment Portfolio between the six main investment categories (as well as the weighted average interest rate) is as follows:

	December 31, 2021			December 31, 2020			
Investment Categories	***W.A Interest Rate***	**Outstanding amount**	**% of Portfolio**	***W.A Interest Rate***	**Outstanding amount**	**% of Portfolio**	***% Change***
Conventional First Mortgages	*7.67%*	$471,593,004	73.4%	*8.10%*	$ 396,063,172	70.9%	*19.1%*
Conventional Non-First Mortgages	*8.28%*	53,002,813	8.2%	*8.75%*	39,441,874	7.1%	*34.4%*
Related Debt Investments	*8.76%*	81,226,107	12.7%	*8.57%*	110,915,226	19.8%	*(26.8%)*
Debtor In Possession Loan	*8.46%*	24,260,000	3.8%	-	-	-	-
Non-Conventional Mortgages	*8.91%*	12,377,894	1.9%	*10.83%*	7,378,000	1.3%	*67.8%*
Discounted Debt Investments*	-	71,715	0.0%	-	5,209,650	0.9%	*(98.6%)*
Total Investments	***7.91%***	**$642,531,533**	**100%**	***8.20%***	**$ 559,007,922**	**100%**	***14.9%***
Less: Impairment allowance		(3,150,000)			(5,609,000)		
Less: Fair value adjustment		(2,600,000)			-		
Investment Portfolio		**$636,781,533**			**$ 553,398,922**		***15.1%***

*The yield on Discounted Debt Investments will be determined upon final repayment of the investments.

The related debt investments category is a basket of investments that are all participating in debt investments to a variety of third-party borrowers. Such debt investments are not secured by mortgage charges, and instead have other forms of security or recourse.

A debtor in possession loan (“DIP Loan”), is a loan obtained by an insolvent debtor while that debtor is restructuring its business under the *Companies’ Creditors Arrangement Act* (Canada). A DIP Loan has “super-priority” security on the assets of the debtor company awarded by the court.

The $83.5 million increase in the Investment Portfolio (before the allowance for impairment and fair value adjustments) was mainly due to the significant increase in the amount of the conventional first mortgages, along with increases in conventional non-first mortgages, non-conventional mortgages and a debtor in possession loan offset by a decrease in related debt investments and discounted debt investments. During 2021, new investment funding was $515.5 million

(2020 – $399.4 million), while repayments during the period were $432.0 million (2020 – $321.5 million), resulting in an increase in the Investment Portfolio size.

Conventional first mortgages increased by 19.1% and represented 73.4% of the Investment Portfolio as at December 31, 2021 (70.9% as at December 31, 2020). Conventional non-first mortgages increased by 34.4% and represented 8.2% of the Investment Portfolio at December 31, 2021 (7.1% as at December 31, 2020). Related debt investments decreased by 26.8% and represented 12.7% of the Investment Portfolio as at December 31, 2021 (19.8% as at December 31, 2020). DIP Loan is a new investment category in 2021 and represented 3.8% of the Investment Portfolio as at December 31, 2021. Discounted debt investments decreased by 98.6% and represented a nominal percentage of the Investment Portfolio as at December 31, 2021 (0.9% as at December 31, 2020). Non-conventional mortgages increased 67.8% and represented 1.9% of the Investment Portfolio as at December 31, 2021 (1.3% as at December 31, 2020).

The weighted average face interest rate on the Corporation's Investment Portfolio was 7.91% per annum as at December 31, 2021, compared to 8.20% per annum as at December 31, 2020.

The allowance for impairment and fair value loss adjustment is $5,750,000 as at December 31, 2021 (December 31, 2020, allowance for impairment – $5,609,000), of which $3,150,000 (December 31, 2020 – $5,609,000) represents the total amount of management's estimate of the shortfall between the investment balances and the estimated recoverable amount from the security under the specific loans, and $2,600,000 (December 31, 2020 – nil) represents the total amount of management's estimate of fair value adjustment on an investment stated at fair value through profit or loss ("FVTPL"). As at December 31, 2021, the Corporation carries a collective allowance balance of $1,105,000 (December 31, 2020 – $1,080,000).

The allocation of the Investment Portfolio between its 10 different loan categories is as follows:

	December 31, 2021			December 31, 2020			
Property Type	**No.**	**Total Amount (before allowance)**	**% of Portfolio**	No.	**Total Amount (before allowance)**	**% of Portfolio**	***% Change***
Land	53	$ 191,429,055	29.8%	36	$ 138,258,791	24.7%	*38.5%*
Construction Mortgages	53	97,315,215	15.1%	49	111,215,505	19.9%	*(12.5%)*
Related Debt Investments	17	81,226,107	12.6%	16	110,915,226	19.8%	*(26.8%)*
Single Family	44	59,173,156	9.2%	50	59,226,350	10.6%	*(0.1%)*
Other	22	67,410,747	10.6%	5	11,711,552	2.1%	*475.6%*
Multi Family Residential Mortgages	7	40,115,777	6.2%	9	58,453,165	10.5%	*(31.4%)*
Condo/Including multi unit condo loans	13	37,846,030	5.9%	9	34,612,735	6.2%	*9.3%*
Retail	7	28,976,591	4.5%	5	26,000,000	4.7%	*11.4%*
University	1	23,100,000	3.6%	-	-		
Industrial	7	15,938,854	2.5%	4	8,614,598	1.5%	*85.0%*
	224	**$ 642,531,533**	**100%**	**183**	**$ 559,007,922**	**100%**	***14.9%***

The Corporation continues to focus its lending into core markets that can be monitored closely during evolving economic conditions, with a strong focus in Ontario. The Mortgage Banker does not service or underwrite mortgages on hotels, hospitality properties or long-term care facilities and, as such, the Corporation does not have any investment exposure to these asset types.

As at December 31, 2021, the value of the Investment Portfolio that is secured by properties outside of Ontario was 12.4%, compared to 17.9% as at December 31, 2020.

	December 31, 2021			December 31, 2020			
Geographic Segment	**No.**	**Total Amount (before allowance)**	**% of Portfolio**	No.	**Total Amount (before allowance)**	**% of Portfolio**	***% Change***
Greater Toronto Area	145	$ 303,896,050	54.1%	113	$ 282,201,783	63.0%	*7.7%*
Non-GTA Ontario	44	188,073,209	33.5%	32	85,549,680	19.1%	*119.8%*
Quebec	10	23,496,364	4.2%	15	14,738,739	3.3%	*59.4%*
Western Canada	3	32,001,725	5.7%	6	63,686,313	14.2%	*(49.8%)*
United States	5	13,838,077	2.5%	1	1,916,182	0.4%	*622.2%*
Mortgage Investment Portfolio	**207**	**$ 561,305,426**	**100%**	**167**	**$ 448,092,696**	**100%**	***25.3%***
Related Debt Investments	17	81,226,107		16	110,915,226		*(26.8%)*
	224	**$ 642,531,533**		**183**	**$ 559,007,922**		***14.9%***

*The Related Debt Investments includes $64,704,159 investments at amortized cost, $13,921,947 investments at FVTPL and then adjusted for a fair value decrease of $2,600,000.

The allocation of the Investment Portfolio between the underlying security types is as follows:

	December 31, 2021			December 31, 2020			
Underlying Security Type	**No.**	**Total Amount (before allowance)**	**% of Portfolio**	**No.**	**Total Amount (before allowance)**	**% of Portfolio**	***% Change***
Residential	166	422,837,341	65.7%	148	$ 356,930,394	69.4%	*18.5%*
Commercial	41	138,468,085	21.6%	19	91,162,302	10.7%	*51.9%*
Related Debt Investments	17	81,226,107	12.6%	16	110,915,226	19.9%	*(26.8%)*
	224	**$ 642,531,533**	**100%**	**183**	**$ 559,007,922**	**100%**	***14.9%***

The residential category includes mortgages on single family dwellings, residential condominiums, residential land, residential construction, and multifamily residential.

The commercial category includes mortgages on retail, industrial, retail or commercial land, offices, and DIP loans.

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.

The weighted average loan to value ratio on conventional mortgages (being the combined conventional first and conventional non-first mortgages) is under 60% based on the appraisals obtained at the time of funding each mortgage loan. Included in conventional first mortgages are four United States ("US") dollar denominated investments (at amortized cost) of $9,338,077 (US$7,365,577) (December 31, 2020 – one US dollar denominated investment of $7,365,575 (US$1,503,013)).

Included in related debt investments, classified at FVTPL, are three US dollar denominated investments totaling $9,659,447 (US$7,619,062), (December 31, 2020 – four US dollar denominated investments totaling $16,669,235 (US$13,092,393)). These investments are a participation by the Corporation in limited partnerships that have provided equity to real estate entities in the US.

For the three months ended December 31, 2021, income recorded on the US investments (at amortized cost and FVTPL) was $202,429 (US $172,923), (2020 – $359,281 (US $275,783)). For the year ended December 31, 2021, income recorded on the US investments (at amortized cost and FVTPL) was $1,277,721 (US$1,033,580) (2020 – $1,848,511 (US $1,363,715)). These amounts are included in interest and fees income.

Related debt investments (classified as FVTPL) as at December 31, 2021 also included six Canadian investments (December 31, 2020 – three Canadian investments) totaling $6,862,500 (December 31, 2020 – $18,973,000).

As at December 31, 2021, the Investment Portfolio included one investment totaling $8,712,449 (December 31, 2020 – six investments totaling $25,137,615) for which a specific allowance of $2,045,000 (December 31, 2020 - $4,529,000) was recorded by the Corporation.

As at December 31, 2021, the Investment Portfolio included one investment totaling $5,833,861 (December 31, 2020 – $5,606,721) for which a fair value adjustment of $2,600,000 (December 31, 2020 – nil) was recorded by the Corporation.

As at December 31, 2021, excluding investments for which there is an allowance or a fair value adjustment recorded against them by the Corporation, the Investment Portfolio had two investments totaling $4,019,732 (December 31, 2020 – one investment with a balance totaling $822,854) with contractual interest arrears greater than 60 days past due amounting to $404,111 (December 31, 2020 – $68,440).

As at December 31, 2021, the Investment Portfolio included five investments totaling $25,284,527 (December 31, 2020 – seven investments totaling $30,245,129) with maturity dates that are past due and for which no extension or renewal was in place. Three of the five investments, in the amount of $6,539,732, were paid out after December 31, 2021 (December 31, 2020 – one investment was paid out in the amount of $822,854). One of these investments totaling $8,712,448 (December 31, 2020 – three investments totaling $11,431,554) had an allowance recorded against it included in the Corporation's allowance for impairment or a fair value adjustment. The remaining one investment with a maturity date that is past due, and for which no extension or renewal was in place, amounts to $10,032,347 (December 31, 2020 – three investments totaling $17,990,721), and it has been determined not to require a specific allowance .

As at December 31, 2021, the Investment Portfolio continued to be heavily concentrated in short-term investments, with approximately 66% maturing on or before December 31, 2022. 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. Renewals are offered to borrowers when deemed appropriate.

The contractual maturity dates of the Investment Portfolio are as follows:

	December 31, 2021		
	No.	**Total Amount (before allowance)**	**% of Portfolio**
2022	154	$ 424,604,569	66.1%
2023	53	172,979,666	26.9%
2024	13	22,124,412	3.4%
2025	4	22,822,885	3.6%
	224	**$ 642,531,533**	**100%**

A significant number of the Corporation's investments are shared with other syndicate partners, including several members of the Board of Directors and senior management of the Mortgage Banker and/or officers and directors of the Corporation. The Corporation ranks equally with other members of the syndicate as to receipt of principal, interest, and fees. As at December 31, 2021, 147 of the Corporation's 224 investments (investment amount of $556,525,358) are shared with other participants, and 23 of which (with a total investment amount of $113,545,850) the Corporation is a participant for less than 50% percent of the loan amount.

Certain members of our Board of Directors and senior management and their related entities co-invested approximately $65 million with the Corporation alongside its Investment Portfolio as at December 31, 2021.

The Mortgage Banker services the entire investment in which the Corporation is a participant, on behalf of all participants and except for the case of an investment with a first priority syndicate participant (i.e., loans payable), the Corporation ranks *pari-passu* with other members of the syndicate as to the receipt of principal, interest, and fees. As at December 31, 2021 and 2020, there were no mortgages with first priority participants. During 2020, the Corporation's loans payable balance was $27,000,000 and the principal balance outstanding under the mortgage for which a first priority charge had been granted was $37,125,000. The mortgage and the related loan payable were fully repaid on July 2, 2020.

There continues to be no material signs of deterioration in the Investment Portfolio as a result of any impact from COVID-19 pandemic and borrower repayment performance has remained consistent with pre-COVID-19 performance.

In addition, no payment deferral arrangements have been granted. As at December 31, 2021, the Corporation's loan arrears are not materially different from pre-COVID levels and, to date, we have not experienced defaults attributed to the COVID-19 pandemic.

RESULTS OF OPERATIONS

REVENUES

For the three months ended December 31, 2021, revenues increased by 11.3% to $13,046,222 compared to $11,719,759 for the three months ended December 31, 2020. For the year ended December 31, 2021, revenues increased by 8.4% to $47,904,954 compared to $44,176,297 for the year ended December 31, 2020.

Revenues for the three months and year ended December 31, 2021 and 2020 are broken down as follows:

Three Months Ended	December 31, 2021		December 31, 2020		% Change
Interest	$ 12,282,823	94.2%	$ 11,113,519	94.8%	10.5%
Commitment & Renewal Fees	734,764	5.6%	584,393	5.0%	26.3%
Other Income	28,635	0.2%	21,847	0.2%	31.1%
	$ 13,046,222	**100%**	**$ 11,719,759**	**100.0%**	**11.3%**

Year Ended	December 31, 2021		December 31, 2020		% Change
Interest	$ 44,599,942	93.1%	$ 41,813,446	94.7%	6.7%
Commitment & Renewal Fees	2,611,455	5.5%	2,141,117	4.8%	22.0%
Other Income	693,557	1.4%	221,734	0.5%	212.8%
	$ 47,904,954	**100%**	**$ 44,176,297**	**100.0%**	**8.4%**

For the three months ended December 31, 2021, interest income was $12,282,823, an increase of 10.5% over the $11,113,519 reported for the comparable period in 2020. For the year ended December 31, 2021, interest income was $44,599,942, an increase of 6.7% over the $41,813,446 as reported for 2020. The increase is mainly a result of higher interest income due to a larger average portfolio size over the comparable period in 2020, offset by an average decrease in loan interest rate.

For the three months ended December 31, 2021, commitment and renewal fees were $734,764, an increase of 26.3% from $584,393 reported for the comparable period in 2020. For the year ended December 31, 2021, fee income relating to commitment and renewal fees was $2,611,455, an increase of 22% over the $2,141,117 reported for 2020.

For the three months and year ended December 31, 2021, other income was $28,635 and $693,557 (2020 – $21,847 and $221,734 respectively). The increase in other income is related to completion and full payout of two investments resulting in the distribution of special profits.

As at December 31, 2021, the Corporation had deferred commitment fee revenue of $1,429,532 (December 31, 2020 – $1,091,717). The Corporation's policy is to recognize commitment fees over the term of the related loan. The unrecognized component of the fees is recorded as deferred revenue on the Corporation's balance sheet. These fees have been received and are not refundable to borrowers

CORPORATION MANAGER INTEREST ALLOCATION

During the three months ending December 31, 2021, the Corporation Manager received $1,210,020 (2020 – $998,928), through a joint venture interest arrangement with the Corporation. For the year ended December 31, 2021, $4,151,045 (2020 - $3,774,550) was received by the Corporation Manager under this arrangement. The increase interest allocation resulted mainly from the higher average size of the Investment Portfolio over the comparable period in 2020.

INTEREST EXPENSE

For the three months ended December 31, 2021, interest expense increased by 20.3% to $3,237,970 as compared to $2,691,297 for the three months ended December 31, 2020. For the year ended December 31, 2021, interest expense increased by 5.3% to $11,094,452 as compared to $10,536,613 for the year ended December 31, 2020. The increase in interest expense is mainly the result of additional borrowing under the Corporation’s credit facility and additional outstanding debentures when compared to the same period in 2020.

Interest expense is broken down as follows:

Three Months Ended	**December 31, 2021**	**% Change**	**December 31, 2020**		**% Change**
Bank Interest Expense	$ 342,367	10.6%	$ 158,507	5.9%	116.0%
Loan Payable Interest Expense	-	0.0%	315,098	11.7%	(100.0%)
Debenture Interest Expense	2,895,603	89.4%	2,217,692	82.4%	30.6%
	$ 3,237,970	**100.0%**	**$ 2,691,297**	**100.0%**	**20.3%**

Year Ended	**December 31, 2021**		**December 31, 2020**		**% Change**
Bank Interest Expense	$ 1,338,192	12.1%	$ 371,008	3.5%	260.7%
Loan Payable Interest Expense	-	0.0%	1,230,805	11.7%	(100.0%)
Debenture Interest Expense	9,756,260	87.9%	8,934,800	84.8%	9.2%
	$ 11,094,452	**100.0%**	**$ 10,536,613**	**100.0%**	**5.3%**

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

For the three months ended December 31, 2021, G&A expenses were $386,837 (2020 – $308,795). For the year ended December 31, 2021, G&A expenses decreased by $52,432 to $1,153,237 compared to $1,205,669 for the year ended December 31, 2020. During the second quarter of 2021, the Corporation recovered previously paid and expensed enforcement costs in the amount of $187,500, which reduced the G&A expenses correspondingly for the year ended December 31, 2021.

INCENTIVE OPTION PLAN

The following is the status of the stock options issued under the Corporation’s stock option plan:

	December 31, 2021			**December 31, 2020**		
	Number of options	**Weighted average exercise price**	**Amount***	**Number of options**	**Weighted average exercise price**	**Amount***
Outstanding, beginning of period	2,690,000	11.77	$ 987,067	880,000	11.91	$ 87,186
Exercised (Options issued on Aug 14, 2020)	(355,000)	11.70	(258,537)	(65,000)	11.78	(6,250)
Exercised (Options issued on Jun 29, 2017)	(35,000)	13.15	(5,515)	-	-	-
Exercised (Options issued on Nov 11, 2013)	(557,500)	11.78	(3,605)	-	-	-
Options granted/amortization amount	100,000	13.97	71,002	1,875,000	11.70	906,131
Outstanding, end of period	**1,842,500**	**$ 11.87**	**$ 790,412**	**2,690,000**	**$ 11.77**	**$ 987,067**
Number of options exercisable	**1,667,500**	**$ 11.87**	**-**	**2,515,000**	**$ 11.77**	

*The amount outstanding corresponds to the stock based compensation associated with the issued stock options.

The following options were issued and outstanding as at December 31, 2021:

Expiry date	Number of options outstanding	Exercise price	Number of options exercisable
November 11, 2023	187,500	$11.78	187,500
November 11, 2023	35,000	12.21	35,000
November 11, 2023	35,000	13.15	35,000
August 14, 2030	1,485,000	11.70	1,310,000
December 6, 2031	100,000	13.97	100,000
	1,842,500	**$11.87**	**1,667,500**

On August 14, 2020, the board of directors of the Corporation granted options to certain of the officers, directors and employees of the Corporation and the Mortgage Banker to purchase up to 1,875,000 Shares (2020 – nil) at a price of $11.70 per Share with the expiry date of August 14, 2030. Of the 1,875,000 options granted, 1,700,000 options vested immediately, and the remaining 175,000 options will vest on August 14, 2025. The fair value of the options granted was estimated at $991,093 using the Black-Scholes options pricing model.

For the year ended December 31, 2021, the board of directors of the Corporation granted options to an officer of the Corporation to purchase up to 100,000 Shares at price of $13.97 per Share with the expiry date of December 6, 2031. All 100,000 of these options vested immediately. The fair value of the options granted was estimated at $52,621 using the Black-Scholes options pricing model.

The total number of stock options outstanding as at December 31, 2021 is 1,842,500 (December 31, 2020 – 2,690,000), of which 1,667,500 stock options are vested and exercisable (December 31, 2020 – 2,515,000). During the year ended December 31, 2021, 947,500 options were exercised under the stock option plan (2020 – 65,000 options were exercised). For the year ended December 31, 2021, the share-based compensation expense was $196,654 (2020 – $901,497).

FAIR VALUE ADJUSTMENT ON INVESTMENT PORTFOLIO AND ALLOWANCE FOR IMPAIRMENT ON INVESTMENT PORTFOLIO AND INTEREST RECEIVABLE

The Fair Value Adjustment on the Corporation’s Investment Portfolio for the year ended December 31, 2021 was $2,600,000 (2020 – nil). The recovery for impairment on Investment Portfolio and interest receivable for the year ended December 31, 2021 was $1,150,167 (2020 – expense $1,399,862). The net of the fair value adjustment and recovery for impairment for the year end December 31, 2021, was an expense of $1,449,833 (2020 - $1,399,862). As disclosed in our audited financial statements for the year ended December 31, 2021, interest and fees income is gross of our interest receivable impairment allowance for 2021 of $1,308,832. The remaining fair value and loan impairment adjustment is related to an increase in of our collective and specific allowance by $141,000.

NET INCOME AND COMPREHENSIVE INCOME

Net income and comprehensive income for the three months ended December 31, 2021, was $7,734,278 (2020 – $7,318,366), which represents an increase of 5.7% over the comparable prior year quarter. Net income and comprehensive income for the year ended December 31, 2021, was $29,985,385 (2020 – $26,353,473), which represents an increase of 13.8% over 2020. Income for the year ended December 31, 2021 represented return on total shareholders’ equity (based on the month end average total shareholders’ equity in the quarter) of 8.46%. This return on total shareholders’ equity represents 771 basis points per annum over the average one-year Government of Canada Treasury bill yield of 0.75% and is well in excess of the Corporation’s stated target yield objective of 400 basis points per annum over the average one-year Government of Canada Treasury bill yield. The above return on total 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 the Corporation’s shareholders as it provides a measure of return generated on the Corporation’s equity base.

EARNINGS PER SHARE

Basic weighted average earnings per share for the three months ended December 31, 2021 was 0.234 (2020 – $0.249). Basic weighted average earnings per share for the year ended December 31, 2021, was $0.950 (2020 – $0.913).

Diluted weighted average earnings per share for the three months ended December 31, 2021 was $0.223 (2020 – $0.247). Diluted weighted average earnings per share for the year ended December 31, 2021 was $0.942 (2020 – $0.909). For the year ended December 31, 2021, $2,201,000 of our convertible debentures were converted into 157,490 Shares (December 31, 2020 – 242,501 Shares) and 947,500 stock options were exercised under our stock option plan for Shares (December 31, 2020 – 65,000 options were exercised for Shares), increasing the weighted average number of shares outstanding for the period.

QUARTERLY FINANCIAL INFORMATION

($ in millions except per unit amounts)	Dec. 31 2021	Sep. 30 2021	Jun. 30 2021	Mar. 31 2021	Dec. 31 2020	Sep. 30 2020	Jun. 30 2020	Mar. 31 2020
Operating revenue	$ 13.05	$ 11.92	$ 11.46	$ 11.48	$ 11.72	$ 10.69	$ 11.21	$ 10.55
Interest expense	3.24	2.72	2.58	2.56	2.69	2.43	2.70	2.72
Corporation manager spread interest allocation	1.21	0.99	0.98	0.97	1.00	0.93	0.98	0.86
General & administrative expenses	0.38	0.29	0.19	0.28	0.31	0.28	0.28	0.33
Share based compensation	0.07	-	-	-	-	0.90	-	-
Fair value adjustment on investment portfolio	0.80	0.32	1.48	-	-	-	-	-
Impairment loss on investment portfolio	(0.39)	0.03	(1.15)	0.36	0.40	0.22	0.38	0.40
Income	**$ 7.74**	**$ 7.57**	**$ 7.38**	**$ 7.31**	**$ 7.32**	**$ 5.93**	**$ 6.87**	**$ 6.24**
Earnings per share								
- Basic	**$0.234**	**$0.241**	**$0.238**	**$0.237**	**$0.249**	**$0.207**	**$0.239**	**$0.218**
- Diluted	**$0.223**	**$0.238**	**$0.234**	**$0.234**	**$0.247**	**$0.207**	**$0.237**	**$0.218**
Dividends per share	**$0.246**	**$0.234**	**$0.234**	**$0.234**	**$0.242**	**$0.234**	**$0.234**	**$0.234**

DIVIDENDS

For the three months and year ended December 31, 2021, the Corporation declared dividends on the Shares totaling $8,148,312 and $29,985,385, respectively, or $0.246 and $0.948 per Share, versus $7,297,147 and $27,430,809, respectively, or $0.249 and $0.944 per Share for the three months and year ended December 31, 2020. The number of Shares outstanding at December 31, 2021 was 33,610,885, compared to 30,843,166 at December 31, 2020.

	December 31, 2021	December 31, 2020	Change
Cash Flow From Operating Activities	$ 32,364,049	$ 28,616,069	13%
(net of cash interest paid)			
Profit	29,985,385	26,353,473	14%
Declared Dividends	29,985,385	27,430,809	9%
Excess Cash Flow From Operating Activities Over Declared Dividends	2,378,664	1,185,260	
Surplus (Deficit) Over Declared Dividends	-	(1,077,336)	

For the year ended December 31, 2020, the deficiency over declared dividends was $1,077,336. Reflected in 2020 income was the non-cash share-based compensation expense of $906,131. Excluding this amount of $906,131, the 2020 deficiency was $171,205.

CHANGES IN FINANCIAL POSITION

AMOUNTS RECEIVABLE & PREPAID EXPENSES

The amounts receivable and prepaid expenses of $4,876,253 as at December 31, 2021 are comprised of interest receivable (net of impairment allowance) of $4,324,345, prepaid expenses of $169,225, and fees and special income receivable of $382,683, compared to $4,428,874 as at December 31, 2020.

MARKETABLE SECURITIES

The Corporation holds publicly traded units of a Canadian real estate investment trust. The units were mostly acquired through the exercise of warrants that were granted by the issuer as part of a loan facility in which the Corporation was a participant. The units generate distributions that are consistent with the Corporation’s overall yield objective. The $54,407 (investment cost $50,966) balance reported on the Corporation’s balance sheet as at December 31, 2021 represents the fair value of the marketable securities (December 31, 2020 – $ 47,073, investment cost $50,966).

CREDIT FACILITY AND BANK INDEBTEDNESS

As at December 31, 2021, the credit facility drawn amount was $53,997,526 and bank indebtedness was $20,550,644 (December 31, 2020, the credit facility drawn amount was $ 53,585,420 and bank indebtedness was $18,666,939).

CONVERTIBLE DEBENTURES

As at December 31, 2021, the Corporation had seven series of convertible debentures outstanding, as outlined below:

Ticker Symbol	Coupon	Issue Date	Maturity Date	Current Principal	Strike Price Per Share	Carrying Value
FC.DB.E	5.30%	Apr. 17, 2015	May. 31, 2022	20,999,000	13.95	20,928,744
FC.DB.F	5.50%	Dec. 22, 2015	Dec. 31, 2022	19,408,000	14.00	19,213,499
FC.DB.G	5.20%	Dec. 21, 2016	Dec. 31, 2023	22,500,000	15.25	22,068,597
FC.DB.H	5.30%	Jun. 27, 2017	Aug. 31, 2024	26,500,000	15.25	25,919,245
FC.DB.I	5.40%	Jun. 21, 2018	Jun. 30, 2025	25,000,000	15.00	24,228,388
FC.DB.J	5.50%	Nov. 23, 2018	Jan. 31, 2026	24,983,000	14.60	23,839,643
FC.DB.K	5.00%	Sep. 3, 2021	Sep. 30, 2028	46,000,000	17.75	41,609,362
Total / Average	**5.28%**			**$ 185,390,000**		**$ 177,807,478**

As at December 31, 2021, the principal balance for the outstanding convertible debentures was $185,390,000 (December 31, 2020 – $141,591,000). The aggregate convertible debenture carrying value as at December 31, 2021 was $177,807,478 (December 31, 2020 – $137,117,831). The weighted average effective interest rate of the convertible debentures as at December 31, 2021 is 5.28% (December 31, 2020 - 5.37%).

During 2021, $2,201,000 (2020 – $3,389,000) of convertible debentures were converted into 157,490 Shares (2020 – 242,501 Shares).

On September 3rd, 2021, the Corporation completed a public offering of 40,000 5.00% convertible unsecured subordinated debentures at a price of $1,000 per debenture for gross proceeds of $40,000,000. On September 9, 2021, the over-allotment option granted to the underwriters of the debenture offering was fully exercised whereby an additional 6,000 5.00% convertible unsecured subordinated debentures at a price of $1,000 per debenture for gross proceeds of $6,000,000 were issued. Issuance costs of this offering were, in aggregate, $2,076,387. The debentures mature on September 30, 2028 and interest is paid semi-annually on the last day of March and September of each year. The debentures are convertible into Shares at the option of the holder at any time prior to the maturity date at a conversion price of $17.75. The debentures may not be redeemed by the Corporation prior to September 30, 2024. On or after September 30, 2024, but prior to September 30, 2026, the debentures are redeemable at a price equal to the principal, plus accrued and unpaid 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 (“TSX”) for the 20 consecutive trading days ending 5 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 September 30, 2026 and prior to the maturity date, the debentures are redeemable at a price equal to the principal amount plus accrued and unpaid 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, on not more than 60 days' and not less than 40 days' prior notice, elect to satisfy its obligation to pay all or a portion of the principal of the debentures by issuing that number of Shares 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.

These convertible debentures were allocated into liability and equity components on the date of issuance as follows:	
Liability	$ 43,500,000
Equity	2,500,000
Principal	**$ 46,000,000**

OTHER LIABILITIES

Other liabilities for the Corporation include the following:

Additional Liabilities	**December 31, 2021**	**December 31, 2020**	**% Change**
Accounts Payable and Accrued Liabilities	$ 2,229,194	$ 1,412,668	58%
Deferred Revenue	1,429,532	1,091,717	31%
Shareholders' Dividend Payable	3,024,980	2,652,512	14%
Total	**$ 6,683,706**	**$ 5,156,897**	**30%**

Accounts payable and accrued liabilities increased by $816,526 to $2,229,194 as at December 31, 2021, compared to $1,412,668 as at December 31, 2020. Accounts payable and accrued liabilities include interest payable of $1,321,346 (December 31, 2020 – $619,347) and accrued liabilities of $907,848 (December 31, 2020 – $793,324).

Deferred revenue is comprised of commitment fees generated on the Corporation's mortgage investments. As at December 31, 2021, the deferred commitment revenue was $1,429,532 (December 31, 2020 – $1,091,717). The Corporation's policy is to recognize deferred commitment fees over the term of the related loans.

SHAREHOLDERS' EQUITY

Shareholders' equity at December 31, 2021 totaled $382,672,839 compared to $343,347,782 as at December 31, 2020. The Corporation had 33,610,885 Shares issued and outstanding as at December 31, 2021, compared to 30,843,166 Shares as at December 31, 2020. The increase is attributable to 196,129 Shares issued under the DRIP (2020 – 61,693 Shares), which amounted to additional shareholders' equity of $2,808,307 (2020 – $879,995), the exercise of stock options for 947,500 Shares (2020 – 65,000), which amounted to additional shareholders' equity of $11,448,757 (2020 – $771,950), and the conversion of our convertible debentures into 157,490 Shares, which increased shareholders' equity by $2,201,000 (2020 – conversion of our convertible debentures into 242,501 shares increased shareholders' equity by $3,389,000).

On March 30, 2020, the Corporation received approval from the TSX for its intention to make a normal course issuer bid (the "NCIB") with respect to the Shares. The notice provided that the Corporation may, during the 12-month period commencing April 3, 2020 and ending no later than April 2, 2021, purchase through the facilities of the TSX or alternative Canadian Trading Systems up to 2,800,000 Shares in total, being approximately 10% of the "public float" of Shares as of March 30, 2020. During the term of the NCIB, the Corporation did not purchase and cancel any Shares. The NCIB expired on April 2, 2021.

ALLOWANCE FOR IMPAIRMENT

The Investment Portfolio consists primarily of the Company's participation 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 investments are measured at amortized cost using the effective interest method, less any allowance for impairment. The Corporation assesses individually significant investments at each reporting date to determine whether there is objective evidence of impairment. The allowance for impairment in respect of each investment measured at amortized cost is calculated as the difference between its carrying amount and the amount of the future cash flows estimated to be recoverable on the 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. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the allowance for impairment. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Changes in the allowance for impairment are recognized in the statement of income and reflected in the allowance for impairment against the investments. Interest on the impaired assets continues to be recognized to the extent it is deemed to be collectible.

The allowance for credit losses is as follows:

	December 31, 2021		December 31, 2020	
Investment Categories	**Adjustments**	**Total Amount (before allowance)**	**Adjustments**	**Total Amount (before allowance)**
Conventional First Mortgages	$ 2,045,000	$ 471,593,004	$ 2,700,000	$ 396,063,172
Conventional Non-First Mortgages	-	53,002,813	-	39,441,874
Related Debt Investments	-	81,226,107	883,000	110,915,226
Debtor In Possession Loan	-	24,260,000	-	-
Non-Conventional Mortgages	-	12,377,894	946,000	7,378,000
Total Specific Allowance	**$ 2,045,000**	**$ 642,459,818**	**$ 4,529,000**	**$ 553,798,272**
IFRS 9 Collective Allowance	**1,105,000**		**1,080,000**	
Total Allowance	**$ 3,150,000**		**$ 5,609,000**	
Fair Value Adjustment	**2,600,000**		**-**	
Total Allowance and Fair Value Adjustment	**$ 5,750,000**		**$ 5,609,000**	

The following table presents the changes to the allowance for credit losses on loans as at December 31, 2021:

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	565,000	23,000	5,021,000	5,609,000
New Financial assets originated	611,000	3,000	78,000	692,000
Financial assets that have been derecognised	(318,000)	-	-1,786,000	(2,104,000)
Transfer to (from):				
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	1,007,000	988,000	(1,995,000)	-
Net remeasurements	(1,088,000)	(1,003,000)	1,044,000	(1,047,000)
Balance at December 31, 2021	**777,000**	**11,000**	**2,362,000**	**3,150,000**

The loans comprising the Investment Portfolio are stated at amortized cost or FVTPL. As of December 31, 2021, the allowance for impairment and fair value adjustment is $5,750,000 (December 31, 2020, allowance for impairment – $5,609,000) of which $3,150,000 (December 31, 2020 – $4,529,000) represents the total amount of management's estimate of the shortfall between the investment balances and the estimated recoverable amount from the security under the specific loans in an amount of $1,105,000, and $2,600,000 (December 31, 2020 – nil) represents the total amount of management's estimate of fair value adjustment on an investment stated at FVTPL.

The Corporation also assessed collectively for impairment to identify potential future losses, by grouping the Investment Portfolio with similar risk characteristics to determine whether a collective allowance should be recorded due to loss events for which there is objective evidence but whose effects are not yet evident. Based on the amounts determined by this analysis, the Corporation used judgement to determine the amounts calculated. As at December 31, 2021, the Corporation carries a collective impairment allowance of $1,105,000 (December 31, 2020 – $1,080,000). The Corporation has an allowance against its interest receivable in the amount of $1,308,832 as at December 31, 2021 (December 31, 2020 – $1,270,864) related to loans in default.

As at December 31, 2021, the Investment Portfolio includes one investment totaling $8,712,449 (December 31, 2020 – six investments totaling $25,137,615) for which a specific allowance of $2,045,000 (December 31, 2020 – $4,529,000) was recorded in the Corporation's allowance for impairment.

As at December 31, 2021, the Investment Portfolio includes one investment totaling $5,833,860 (December 31, 2020 – none) for which a fair value loss adjustment of $2,600,000 was recorded.

The following table presents the staging of gross investments at amortized cost as at December 31, 2021:

Gross Investments at amortized cost	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	$ 442,690,794	$ 6,132,415	$ 22,769,796	$ 471,593,005
Conventional non-first mortgages	50,002,813	3,000,000	-	53,002,813
Related debt investments	61,386,792	3,317,367	-	64,704,159
Debtor in possession loan	24,260,000	-	-	24,260,000
Discounted debt investments	71,715	-	-	71,715
Non-conventional mortgages	11,948,144	429,750	-	12,377,894
Total gross investments at amortized cost	**590,360,258**	**12,879,532**	**22,769,796**	**626,009,586**
By geography:				
Canada	$ 581,022,181	$ 12,879,532	$ 22,769,796	$ 616,671,509
United States	9,338,077	-	-	9,338,077
Total gross investments at amortized cost	**$ 590,360,258**	**$ 12,879,532**	**$ 22,769,796**	**$ 626,009,586**

The following table presents the staging of gross investments at amortized cost as at December 31, 2020:

Gross investments at amortized cost	Stage 1	Stage 2	Stage 3	Total
Conventional first mortgages	$ 347,011,643	$ 18,318,750	$ 30,732,779	$ 396,063,172
Conventional non-first mortgages	36,256,874	-	3,185,000	39,441,874
Related debt investments	73,062,433	-	2,210,557	75,272,990
Discounted debt investments	139,650	5,070,000	-	5,209,650
Non-conventional mortgages	378,000	-	7,000,000	7,378,000
Total gross investments at amortized cost	**456,848,600**	**23,388,750**	**43,128,336**	**523,365,686**
By geography:				
Canada	$ 454,932,418	$ 23,388,750	$ 43,128,336	$ 521,449,504
United States	1,916,182	-	-	1,916,182
Total gross investments at amortized cost	**$ 456,848,600**	**$ 23,388,750**	**$ 43,128,336**	**$ 523,365,686**

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 certain officers and/or directors of the Corporation) receives an allocation of interest, calculated at 0.75% per annum of the Corporation's daily outstanding performing investment balances. For the three months ended December 31, 2021, this amount was $1,210,020 (2020 – $998,928). For the year ended December 31, 2021, this amount was $4,151,045 (2020 – $3,774,550). Included in accounts payable and accrued liabilities at December 31, 2021 are amounts payable to the Corporation Manager of $486,188 (December 31, 2020 – $345,968).

The Mortgage Banker (a company related to officers and/or directors of the Corporation) receives certain fees 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 of the commitment and renewal fees generated from the Corporation's investments; and 25% of all of 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 of the Corporation is net of the loan servicing fees paid to the Mortgage Banker of approximately $541,000 for the year December 31, 2021 (2020 – $503,000). 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 Joint Venture Agreement and Mortgage Banking Agreement contain, respectively, allowances 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.

A significant number 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.

The Corporation previously held a mortgage investment that was fully repaid in 2021 (classified as discounted debt investment) that originated from the purchase of a mortgage loan from a Schedule 1 bank at a discount to its original principal balance (December 31, 2020 – $5,070,000). The Corporation’s investment was by way of a participation in a mortgage loan to the entity that took title to the real estate following the completion of the enforcement foreclosure that occurred after the purchase of the underlying Schedule 1 bank mortgage. The Corporation was a pari-passu participant in the mortgage, having the same rights as all other participants in the loan. The entity that held title to the real estate as agent was related to the other participants in the mortgage loan investment, including entities related to certain directors of the Corporation, and for this reason, the borrower was classified as a related party. For the year ended December 31, 2021, the Corporation recognized interest earned of $46,483 (2020 – $258,014) from this investment. No impairment allowance was recorded on this loan as at December 31, 2020.

KEY MANAGEMENT COMPENSATION

Aggregate compensation paid to key management personnel (including payments to related parties for recovery of costs), consisted of short-term employee compensation of $966,738 for the three months ended December 31, 2021 (2020 – $914,782) and $3,746,744 for the year ended December 31, 2021 (2020 – $3,330,814), all of which was paid by the Corporation Manager and not by the Corporation.

For the year ended December 31, 2021, total director’s fees paid were $321,000 (2020 – $314,000). Certain key management personnel are also directors of the Corporation and received compensation from the Corporation Manager. The directors and officers of the Corporation held 694,728 Shares as at December 31, 2021 (December 31, 2020 – 657,919 Shares).

For the year ended December 31, 2021, 100,000 options were issued under our stock option plan (2020 – 1,875,000), of which 100,000 (2020 – 1,230,000) were issued to the officers of the Corporation.

Related party transactions are further discussed and detailed in the Corporation’s AIF and in note 12 of the accompanying audited consolidated financial statements of the Corporation for the year ended December 31, 2021.

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 each 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 allowance for current or deferred income taxes is required.

CRITICAL ACCOUNTING ESTIMATES

The determination of the impairment allowance for the Investment Portfolio is a critical accounting estimate.

The 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 investments are assessed at each reporting date to determine an impairment allowance. Losses are recognized in the statement of income and reflected in the 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 the statement of income. 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.

CLASSIFICATION & MEASUREMENT OF FINANCIAL ASSETS

Mortgage investments and other loans are classified based on the business model for managing assets and the contractual cash flow characteristics of the asset. The Corporation exercises judgment in determining both the business model for managing the assets and whether cash flows consist solely of principal and interest.

MEASUREMENT OF EXPECTED CREDIT LOSS

The expected credit loss model requires the recognition of credit losses based on 12 months of expected losses for performing loans and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination.

The determination of a significant increase in credit risk takes into account different factors and varies by nature of investment. The Corporation assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due as well as other criteria, such as watch list status and changes in weighted probability of default since origination.

The assessment of significant increase in credit risk requires experienced credit judgment. In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, the Corporation must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the allowance for credit losses.

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic inputs, such as real gross domestic product, interest rates and unemployment rates.

FINANCIAL INSTRUMENTS

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

The fair value of the Investment Portfolio approximates its carrying value as the majority of the loans are fully open for repayment 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. Management makes its determinations of fair value based on its assessment of the current lending market for mortgage and loan investments of the 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, when incurred, approximate their carrying values due to the fact that the majority of the loans are: (i) repayable in full, at any time, upon the repayment of the underlying loan that secures the loan payable, and (ii) have floating interest rates linked to the prime rate.

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 TSX for the applicable date.

The fair value of marketable securities has been determined based on the closing price of the security of the respective entity listed on the TSX for the applicable date.

The tables in note 15 of the audited consolidated financial statements of the Corporation for the years ended December 31, 2021 and 2020 present the fair values of the Corporation's financial instruments as at December 31, 2021 and December 31, 2020, respectively.

CONTRACTUAL OBLIGATIONS

Contractual obligations as at December 31, 2021 are due as follows:

	Total	Less than 1 year	1-3 years	4-7 years
Bank indebtedness	$ 20,550,644	$ 20,550,644	$ -	$ -
Credit facility	53,997,526	53,997,526	-	-
Accounts payable and accrued liabilities	2,229,194	2,229,194	-	-
Shareholders' dividends payable	3,024,980	3,024,980	-	-
Convertible debentures	185,390,000	40,407,000	74,000,000	70,983,000
Subtotal - Liabilities	265,192,344	120,209,344	74,000,000	70,983,000
Future advances under portfolio	115,566,269	115,566,269		
Liabilities and contractual obligations	**$380,758,613**	**$ 235,775,613**	**$ 74,000,000**	**$ 70,983,000**

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used are consistent with those as described in note 3 of the Corporation's audited consolidated financial statements for the years ended December 31, 2021 and 2020.

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 December 31, 2021, the Corporation had not utilized its full leverage availability, being a maximum of 50% of its first mortgage investments. Unadvanced committed funds under the existing Investment Portfolio amounted to $116 million as at December 31, 2021 (December 31, 2020 – $109 million). These commitments are anticipated to be funded from the Corporation's credit facility and borrower repayments under the Investment Portfolio.

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 demand facility of $100 million and a committed facility of $20 million. The Corporation is in compliance with the covenants contained in the credit facility and expects to be in compliance with such covenants going forward. The Corporation's investments are predominantly short-term in nature, and as such, the continual repayment by borrowers of existing mortgage investments creates liquidity for ongoing investments and funding commitments.

RISKS AND UNCERTAINTIES

The Corporation follows investment guidelines and operating policies, as outlined in the AIF. Our 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's independent directors take an active role in approving the investments that the Corporation makes. During the year ended December 31, 2021, 120 investment proposals were sent to the Board of Directors for approval. During the fiscal year of 2020, 88 investment proposals were sent to the Board of Directors for approval. Under the investment guidelines, investment amounts between $1 million to $2 million require one independent director's approval, and investments with total investment amounts over $2 million require no less than three independent directors' approvals.

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.

- *The COVID-19 pandemic which resulted in broad challenges globally has contributed to significant volatility in financial markets and continues to adversely impact global activity. However, many jurisdictions have re-opened with social distancing and/or other measures implemented to assist in curtailing the spread of COVID-19, and multiple vaccines have been approved for use. Surges in new cases of COVID-19 and mutated strains of the virus can cause additional quarantines and lockdowns, which could delay any economic recovery. The vaccination program globally is ongoing and its effectiveness remains uncertain. These factors could further materially and adversely affect the Corporation's results and financial condition. The enhanced risks due to COVID-19 include but* *are not limited to: disruption or deferral in borrower payments, decline in the appraised value or salability of properties, a decline of interest rates, a deterioration of the credit worthiness of the borrowers, inability for the borrowers to obtain additional financing and/or the need to extend the maturity date of their borrowings. To help reduce the financial impact on both businesses and consumers, governments initiated a number financial stimulus programs. Now, a year and half since the declaration of COVID-19 pandemic, with vaccinations levels continuing to climb and with infections levels currently declining, government initiatives are now winding down. Although the full extent of the impact of COVID-19 pandemic on the Corporation continues to be uncertain, thus far there have been no material signs of deterioration in the Investment Portfolio or others areas of operation. Borrower repayment performance has remained consistent with pre-COVID-19 performance with no payment deferral arrangements implemented. We will continue to monitor the effects and potential consequences of the COVID-19 pandemic.*

- *Economic conditions such as inflation, that would result in a significant decline in real estate values and corresponding loan losses.*
- *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.*
- *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 Investment 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 market interest rates would increase the Corporation's cost of borrowing. Increases in market interest rates could, in general, also negatively impact borrowers ability to service their debt and could impact real estate values.*
- *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 Income Tax Act (Canada) (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.*
- *Investment Portfolio size. The Investment Portfolio size (and income generated thereon) can fluctuate and will decrease when repayments exceed new advances. 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. Repayments of investments can be significant given the open prepayment provision associated with most investments.*
- *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 obtain additional leverage, if required.*
- *Liquidity risk. Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they come due. The Corporation's approach to managing liquidity risk is to ensure, to the extent possible, that it always has sufficient liquidity to meet its liabilities when they come due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's credit worthiness. The Corporation manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. If the*

Corporation is unable to continue to have access to its loans and mortgages syndications and revolving operating facility, the size of the Corporation's loan and mortgage investments will decrease, and the income historically generated through holding larger investments by utilizing leverage will not be earned.

- *Demand loan bank indebtedness. A significant component of the Corporation's bank indebtedness is in the form of a demand facility, repayment of which can be demanded by the bank at any time.*
- *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 Conventional 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.*
- *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.*
- *Credit Risk. The Investment Portfolio is exposed to credit risk. Credit risk is the risk that a counterparty to a financial investment will fail to fulfill its obligations or commitment, resulting in a financial loss to the Corporation.*
- *Change in Legislation. There can be no assurance that certain laws applicable to the Corporation, including Canadian federal and provincial tax legislation, commodity and sales tax legislation, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the Corporation or fundamentally alter the tax consequences to shareholders acquiring, holding or disposing of Shares.*
- *Litigation risk. We may, from time to time, become involved in legal proceedings in the course of our business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, we might not receive payments of interest or principal on a mortgage that is the subject of litigation, which would affect our cash flows. An unfavourable resolution of any legal proceedings could have a material adverse effect on us, our financial position and results of operations.*
- *Ability to manage growth. We intend to grow our Investment Portfolio. In order to effectively deploy our capital and monitor our loans and investments in the future, we, the Corporation Manager and/or the Mortgage Banker will need to retain additional personnel and may be required to augment, improve or replace existing systems and controls, each of which can divert the attention of management from their other responsibilities and present numerous challenges. As a result, there can be no assurance that we would be able to effectively manage our growth and, if unable to do so, our Investment Portfolio, and the market price of our securities, may be materially adversely affected.*
- *Cyber risk. We collect and store confidential and personal information. Unauthorized access to our computer systems could result in the theft or publication of confidential information or the deletion or modification of records or could otherwise cause interruptions in our operations. In addition, despite implementation of security measures, our systems are vulnerable to damages from computer viruses, natural disasters, unauthorized access, cyber-attack and other similar disruptions. Any such system failure, accident or security breach could disrupt our business and make our applications unavailable. If a person penetrates our network security or otherwise misappropriates sensitive data, we could be subject to liability or our business could be interrupted, and any of these developments could have a material adverse effect on our business, results of operations and financial condition.*
- *Convertible debentures. Risks relating to the ownership of our outstanding convertible debentures are set out in the section entitled "Risk Factors" contained in each of our (final) prospectuses or prospectus supplements qualifying the distribution of such outstanding convertible debentures, which sections are incorporated herein by reference and available on SEDAR at www.sedar.com.*
- *Currency risk. Currency risk is the risk that the fair value or future cash flows of the Corporation's foreign currency-denominated investments and cash and cash equivalents will fluctuate based on changes in foreign currency exchange rates. Consequently, the Corporation is subject to currency fluctuations that may impact its financial position and results of operations. The Corporation manages its currency risk on its investments by borrowing the same amount as the investment in the same currency. As a result, a change in exchange rate of the Canadian dollar against the U.S. dollar will not change the net income and comprehensive income and equity.*

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 complete, reliable, and timely. 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 audited consolidated financial statements as at, and for the years ended, December 31, 2021 and 2020.

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 December 31, 2021 and December 31, 2020 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 December 31, 2021. 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 the financial reporting period ended December 31, 2021 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.

SUBSEQUENT EVENTS

On January 27, 2022, the Corporation completed the issuance of $40,000,000 aggregate principal amount of 5.00% convertible unsecured subordinated debentures due on March 31, 2029. On February 2, 2022, the Corporation completed the over-allotment option for an additional $3,700,000 aggregate principal amount which brings the total aggregate principal of such debentures to $43,700,000. These debentures bear interest at a rate of 5.00% per annum, payable semi-annually in arrears on the last day of March and September of each year. The debentures mature on March 31, 2029 and are convertible at the holder's option into Shares at a conversion price of $17.00.

Subsequent to year end, the holders of 5.30% convertible unsecured subordinated debentures exercised their option to convert $11,080,000 in principal amount of convertible debentures to shares of the Corporation at $13.95 per share.

On March 7, 2022 the Corporation completed the early redemption and cancellation of its outstanding 5.30% convertible unsecured subordinated debenture which were scheduled to mature on May 31, 2022. The aggregate principal amount outstanding on the redemption day was $9,919,000.

FORWARD LOOKING INFORMATION

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2022 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 above 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 the impact of existing or future waves in the COVID-19 pandemic, 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 the assumption that there is not a significant decline in the value of the general real estate market; market interest rates remain relatively stable; the Corporation is generally able to sustain the size of its Investment Portfolio; adequate investment opportunities are presented to the Corporation; adequate bank indebtedness is available to the Corporation; and a non-material impact resulting from any future COVID-19 waves. 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.

MANAGEMENT'S RESPONSIBILTY FOR FINANCIAL REPORTING

The accompanying financial statements and information included in this Annual Report have been prepared by the management of Firm Capital Mortgage Investment Corporation, which is responsible for their consistency, integrity and objectivity. The Corporation maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are consistent, efficient and of a high quality.

An independent auditor appointed by management, KPMG LLP, has audited the financial statements of Firm Capital Mortgage Investment Corporation in accordance with generally accepted auditing standards and has provided an independent professional opinion thereon.

Estimates are necessary in the preparation of financial statements because a precise determination of some assets and liabilities depends on future events.

The financial statements have been reviewed and approved by the Board of Directors and the Audit Committee. This Committee meets regularly with management and the auditors who have full and free access to the Committee.

ELI DADOUCH
President
Chief Executive Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Firm Capital Mortgage Investment Corporation

Opinion

We have audited the consolidated financial statements of Firm Capital Mortgage Investment Corporation (the "Entity"), which comprise:

- the consolidated balance sheets as at December 31, 2021 and December 31, 2020
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated balance sheets of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of impairment allowance over the investment portfolio and interest receivable

Description of the matter

We draw attention to Note 2(e), 3(a), 4 and 6 of the financial statements. The Entity has recorded an impairment allowance against its investment portfolio and related interest receivable for an amount of $4,458,832 (investment portfolio $3,150,000 and interest receivable $1,308,832). Impairment losses over individually assessed impaired loans are dependent on expected future cash flows. Significant assumptions in determining the expected future cash flows for impaired loans include the recoverable value of the investment's underlying security. For collectively assessed loans, allowances are driven by management's judgment on significant assumptions including the probability of default, loss given default and exposure at default factors.

Why the matter is a key audit matter

We identified the evaluation of impairment allowance over the investment portfolio and interest receivable as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the investment portfolio and interest receivable and the high degree of estimation uncertainty in determining the impairment allowance. In addition, significant auditor judgment was required in evaluating the results of our audit procedures over certain significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For the impairment allowance relating to the individually assessed impaired loans and related interest receivable, we evaluated the appropriateness of significant assumptions used by the Entity to determine the recoverable value of the investment's underlying security. These values were evaluated by comparing them to appraisals, comparable sale transactions, reports of real estate commentators and available industry transaction databases, as applicable considering the features of the specific underlying security.

For the impairment allowance relating to collectively assessed loans, we involved professionals with specialized skills and knowledge who assisted in evaluating the appropriateness of Entity's measurement model and the significant assumptions such as:

- probability of default;
- loss given default; and
- exposure at default.

We compared the significant assumptions used by management to historical actual results, external evidence, including appraisals and industry databases, as applicable considering the features of the specific underlying security.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2021 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2021 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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 Standard (IFRS) as issued by International Accounting Standards Board (IASB), 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Saqib Jawed.

Toronto, Canada

March 8, 2022

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Consolidated Balance Sheets

(in Canadian dollars)

As at		December 31, 2021		December 31, 2020
Assets				
Amounts receivable and prepaid expenses (note 4)	**$**	**4,876,253**	$	4,428,874
Marketable securities (note 5)		**54,407**		47,073
Investment portfolio (note 6)		**636,781,533**		553,398,922
Total assets	**$**	**641,712,193**	$	557,874,869
Liabilities				
Bank indebtedness (note 7)		**20,550,644**		18,666,939
Credit facility (note 7)		**53,997,526**		53,585,420
Accounts payable and accrued liabilities		**2,229,194**		1,412,668
Deferred revenue		**1,429,532**		1,091,717
Shareholders' dividends payable		**3,024,980**		2,652,512
Convertible debentures (note 8)		**177,807,478**		137,117,831
Total liabilities	**$**	**259,039,354**	$	214,527,087
Shareholders' Equity				
Common shares (note 9)		**376,806,142**		339,784,430
Equity component of convertible debentures		**4,551,714**		2,076,500
Stock options (note 9)		**790,412**		987,067
Contributed surplus		**1,888,562**		1,863,776
Deficit		**(1,363,991)**		(1,363,991)
Total shareholders' equity	**$**	**382,672,839**	$	343,347,782
Commitments (note 6)				
Contingent liabilities (note 14)				
Subequent events (note 18)				
Total liabilities and shareholders' equity	**$**	**641,712,193**	$	557,874,869

See accompanying notes to consolidated financial statements.

On behalf of the Directors:

"Eli Dadouch"	*"Jonathan Mair"*
ELI DADOUCH	JONATHAN MAIR
Director	Director

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Consolidated Statements of Income and Comprehensive Income

(in Canadian dollars)

		2021		2020
Revenues				
Interest and fees income	**$**	**47,211,397**	$	43,954,563
Other income		**693,557**		221,734
		47,904,954		44,176,297
Operating expenses				
Corporation manager interest allocation (note 12)		**4,151,045**		3,774,550
Interest expense (note 13)		**11,094,451**		10,536,613
General and administrative expenses		**1,153,237**		1,205,669
Share based compensation (note 9)		**71,003**		906,130
Fair value adjustment on investment portfolio (carried at FVTPL) (note 6)		**2,600,000**		-
Provision/(recovery) for impairment on investment portfolio and interest receivable (note 4 and 6)		**(1,150,167)**		1,399,862
	$	**17,919,569**	$	17,822,824
Income and comprehensive income for the year	**$**	**29,985,385**	$	26,353,473
Earnings per share (note 10)				
Basic		**$0.950**		$0.913
Diluted		**$0.942**		$0.909

See accompanying notes to consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

(in Canadian dollars)

	Common shares	Equity component of convertible debentures	Stock options	Contributed surplus	Surplus (Deficit)	Accumulated other comprehensive income	Shareholders' equity
Balance at January 1, 2021	**$ 339,784,430**	**$ 2,076,500**	**$ 987,067**	**$ 1,863,776**	**($1,363,991)**	-	**$343,347,782**
Issuance of shares	21,779,010	-	-	-	-	-	21,779,010
Offering costs	(1,215,362)	-	-	-	-	-	(1,215,362)
Proceeds from issuance of shares from dividend reinvestment	2,808,307	-	-	-	-		2,808,307
Conversion and redemption of debentures	2,201,000	(24,786)	-	24,786	-	-	2,201,000
Equity compenent of debentures issued during the year (note 8)	-	2,500,000	-	-	-	-	2,500,000
Issuance of stock options (note 9 (b))	-	-	52,621	-	-	-	52,621
Exercise of stock options (note 9 (b))	11,448,757	-	(267,657)	-	-		11,181,100
Amortization of stock option granted (note 9 (b)	-	-	18,381	-	-		18,381
Income and comprehensive income for the year	-	-	-	-	29,985,385		29,985,385
Dividends to shareholders (note 11)	-	-	-		(29,985,385)		(29,985,385)
Balance at December 31, 2021	**$ 376,806,142**	**$ 4,551,714**	**$ 790,412**	**$ 1,888,562**	**(1,363,991)**	**$ -**	**$ 382,672,839**
Shares issued and outstanding (note 9)	**33,610,885**						

	Common shares	Equity component of convertible debentures	Stock options	Contributed surplus	Surplus (Deficit)	Accumulated other comprehensive income	Shareholders' equity
Balance at January 1, 2020	**$ 310,158,598**	**$ 2,111,650**	**$ 87,186**	**$ 1,828,626**	**($286,655)**	-	**$ 313,899,405**
Issuance of shares	25,881,900	-	-	-	-	-	25,881,900
Offering costs	(1,297,013)	-	-	-	-	-	(1,297,013)
Proceeds from issuance of shares from dividend reinvestment	879,995	-	-	-	-	-	879,995
Conversion and redemption of debentures	3,389,000	(35,150)	-	35,150	-	-	3,389,000
Issuance of stock options (note 9 (b))	-	-	906,131	-	-	-	906,131
Excercise of stock options (note 9 (b))	771,950	-	(6,250)	-		-	765,700
Income and comprehensive income for the year	-	-	-	-	26,353,473	-	26,353,473
Dividends to shareholders (note 11)	-		-	-	(27,430,809)	-	(27,430,809)
Balance at December 31, 2020	**$ 339,784,430**	**$ 2,076,500**	**$ 987,067**	**$ 1,863,776**	**$ (1,363,991)**	-	**$ 343,347,782**
Shares issued and outstanding (note 9)	**30,843,166**						

See accompanying notes to consolidated financial statements.

FIRM CAPITAL MORTGAGE INVESTMENT CORPORATION

Statements of Cash Flows

(in Canadian dollars)

		2021		2020
Cash provided by (used in):				
Operating activities:				
Income for the year	$	29,985,385	$	26,353,473
Adjustments for:				
Financing costs (net of implicit interest rate and deferred finance cost amortization)		9,627,417		9,191,273
Implicit interest rate in excess of coupon rate - convertible debentures (note 8)		380,610		295,674
Deferred finance cost amortization - convertible debentures (note 13)		1,086,424		1,049,666
Provision /(recovery) for impairment on investment portfolio and interest receivable		(1,150,167)		1,399,862
Fair value adjustment on investment portfolio (carried at FVTPL)		2,600,000		-
Amortization of stock option granted (note 9 (b))		71,002		899,881
Unrealized (gain)/loss on marketable securities investments (note 5)		(7,334)		69,152
Accrued interest payable		(701,999)		(13,562)
Receivables and prepaid expenses		(1,756,212)		(1,752,149)
Accounts payable and accrued liabilities		816,526		159,170
Deferred revenue		337,815		141,340
Net cash flow from operating activities	$	41,289,467	$	37,793,780
Financing activities:				
Issuance of shares in new offerings		21,779,010		25,881,900
Issuance of shares from dividend reinvestment		2,808,307		879,995
Exercise of stock options		11,181,100		771,950
Proceeds from convertible debentures issued (note 9)		46,000,000		-
Debenture offering costs (note 8)		(2,076,387)		-
Equity offering costs		(1,215,362)		(1,297,013)
Credit facility (note 7)		412,106		34,423,926
Repayment of loan payable		-		-
Cash interest paid (note 13)		(8,925,418)		(9,177,711)
Dividends to shareholders paid during the year (note 11)		(29,612,917)		(28,971,873)
Net cash flow from (used in) financing activities	$	40,350,439	$	22,511,174
Investing activities:				
Sales of marketable securities		-		134,060
Funding of investment portfolio		(515,539,151)		(399,439,382)
Discharging of investment portfolio		432,015,540		321,508,892
Net cash flow from (used in) investing activities		(83,523,611)		(77,796,430)
Net (decrease)/increase in cash flow for the year		(1,883,705)		(17,491,476)
Cash and cash equivalents (Bank indebtedness), beginning of period		(18,666,939)		(1,175,463)
Cash and cash equivalents (Bank indebtedness), end of period (note 7)	$	(20,550,644)	$	(18,666,939)

Cash flows from operating activities include:

Interest received	$	41,248,933	$	41,331,997

1. Organization of Corporation

Firm Capital Mortgage Investment Corporation (the "Corporation"), through its mortgage banker, Firm Capital Corporation (the "Mortgage Banker), is a non-bank lender providing primarily residential and commercial short-term bridge and conventional real estate financing, including construction, mezzanine, and equity investments. The shares of the Corporation are listed on the Toronto Stock Exchange under the symbol "FC". The Corporation is a Canadian mortgage investment corporation and the registered office of the Corporation is 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5. FC Treasury Management Inc. is the Corporation's manager (the "Corporation Manager"). The Corporation was incorporated pursuant to the laws of Canada on October 22, 2010.

2. Basis of presentation

(a) Statement of compliance:

The consolidated financial statements of the Corporation have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the Board of Directors on March 8, 2022.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL") which are measured at fair value at each reporting date.

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries (which includes FC Finance Trust and FC Residential Mortgages Company Inc.). The subsidiaries are fully consolidated from the date on which the Corporation obtains control and continues to be consolidated until the date that such control ceases. Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intercompany transactions and balances are eliminated upon consolidation.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(e) Critical estimates and judgements:

The preparation of the financial statements requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Revisions to accounting estimates are recognized in the year in which estimates are revised. Those estimates and judgements have been applied in a manner consistent with previous years and there are no known trends, commitments, events or uncertainties other than the potential effects of COVID-19 pandemic, that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these audited financial statements.

The allowance for credit losses and carrying value for the Corporation's investments at FVTPL reflects management's best estimates. As at December 31, 2021, for the purpose of assessing the allowance for credit losses, our assumptions were updated to reflect the potential for increased risk to cash flows as a result of the ongoing COVID-19 pandemic.

The significant estimates and judgements used in determining the recorded amount for assets and liabilities in the financial statements are as follows:

Allowance for impairment - The most significant estimates that the Corporation is required to make relate to the impairment of the investment portfolio and interest receivables (notes 3(a), 4 and 6). These estimates include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of present or future legislation or regulation, prior encumbrances, adverse changes in the payment status of borrowers, and other factors affecting the investments and underlying security of the investments. These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns, and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates of impairment are subjective and do not necessarily result in precise determinations of the actual outcome. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

Classification of investment portfolio - Investment portfolio is classified based on the assessment of business model and the cash flow characteristics of the investments. The Corporation exercises judgement in determining the classification of loans in the investment portfolio into measurement categories (note 3(a)).

Measurement of fair values - The Corporation's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Corporation uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3:	Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs)

The Corporation reviews significant unobservable inputs and valuation adjustments. If third party information such as broker quotes or appraisals are used to measure fair values, the Corporation will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The information about the assumptions made in measuring fair value is included in note 16.

3. Significant accounting policies

The Corporation's accounting policies and its standards of financial disclosure set out below are in accordance with IFRS.

(a) Financial instruments

Classification & Measurement of Financial Assets
Recognition and initial measurement

The Corporation on the date of origination or purchase recognizes loans, debt and equity securities, deposits and subordinated debentures at the fair value of consideration paid. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities are initially recognized on the date at which the Corporation becomes a party to the contractual allowance of the instrument.

The initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss.

Financial assets include both debt and equity instruments.

Debt instruments

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

(i) Amortized cost;
(ii) Fair value through other comprehensive income (FVOCI); or
(iii) Fair value through profit or loss (FVTPL) for trading related assets.

Classification of debt instruments is determined based on:
(i) The business model under which the asset is held; and
(ii) The contractual cash flow characteristics of the instrument.

Business model assessment

Business model assessment involves determining whether financial assets are managed in order to generate cash flows from a collection of contractual cash flows. The Corporation takes into consideration the following factors:

(i) How the performance of assets in a portfolio is evaluated and reported;
(ii) The risks that affect the performance of assets held within a business model and how those risks are managed; and
(iii) Whether the assets are held for trading purposes.

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments.

Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In performing this assessment, the Corporation takes into consideration contractual features that could change the amount or timing of contractual cash flows, such that the cash flows are no longer consistent with a basic lending arrangement. If the Corporation identifies any contractual features that could modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Debt instruments measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in Interest income in the Consolidated Statement of Income.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach (ECL). Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the Consolidated Balance Sheets.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is both to hold for collection of contractual cash flows and to sell financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive Income (OCI), unless the instrument is designated in a fair value hedge relationship.

Impairment on debt instruments measured at FVOCI is calculated using the ECL. The ACL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Consolidated Balance Sheets, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI with a corresponding charge to allowance for impairment in the Consolidated Statement of Income. The accumulated allowance recognized in OCI is recycled to the Consolidated Statement of Income upon derecognition of the debt instrument.

Debt instruments measured at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. These instruments are measured at fair value in the Consolidated Balance Sheets, with transaction costs recognized immediately in the Consolidated Statement of Income as part of Non-interest income. Realized and unrealized gains and losses are recognized as part of Non-interest income in the Consolidated Statement of Income.

Equity instruments

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized as part of other income in the Consolidated Statement of Income.

The Corporation can elect to classify non-trading equity instruments at FVOCI. This election will be used for certain equity investments for strategic or longer term investment purposes. The FVOCI election is made upon initial recognition on an instrument-by-instrument basis and once made is irrevocable.

Impairment

The impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – Where there has not been a significant increase in credit risk (SIR) since initial recognition of a financial instrument, an amount equal to 12 months ECL is recorded. The ECL is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of ECL based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime ECL.

Measurement of ECL
The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate ECL are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of these statistical parameters/inputs are as follows:

PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Macroeconomic factors

In its models, the Corporation relies on a range of forward looking economic information as inputs, such as gross domestic product (GDP) factors. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

Assessment of significant increase in credit risk (SIR)

At each reporting date, the Corporation assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macro-economic factors, management judgement and delinquency and monitoring.

The common assessments for SIR on investment portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

Presentation of allowance for credit losses in the Statement of Financial Position

(i) Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the financial assets;
(ii) Debt instruments measured at fair value through other comprehensive income: no allowance is recognized in the Statement of Financial Position because the carrying value of these assets is their fair value. However, the allowance determined is presented in the accumulated other comprehensive income.

Definition of default

The Corporation considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:
(i) significant financial difficulty of the borrower;
(ii) default or delinquency in interest or principal payments;
(iii) high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
(iv) measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Corporation considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

Individual allowance for impairment

For loans that are considered individually impaired the Corporation assesses on a case-by-case basis at each reporting period whether an individual allowance for loan losses is required.

For those loans where objective evidence of impairment exists and the Corporation has determined a loan to be impaired, impairment is determined based on the Corporation's aggregate exposure to the customer considering the following factors:

(i) the customer's ability to generate sufficient cash flow to service debt obligations;
(ii) the extent of other creditors' commitments ranking ahead of, or pari passu with, the Corporation and the likelihood of other creditors continuing to support the company; and
(iii) the realizable value of security (or other credit mitigants) and likelihood of successful repossession.

Impairment losses over individually assessed impaired loans are dependent on expected future cash flows. Significant assumptions in determining the expected future cash flows for impaired loans include the recoverable value of the investment's underlying security.

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount. This results in interest income being recognized using the original effective interest rate.

Collective allowance for impairment

For loans that have not been individually assessed as being impaired, the Corporation pools them into groups to assess them on a collective basis. Collective allowances are calculated for performing loans. Allowances related to performing loans estimate probable incurred losses that are inherent in the portfolio but have not yet been specifically identified as impaired.
For collectively assessed loans, allowances are driven by management's judgement on significant assumptions including the probability of default, loss given default and exposure at default factors.

Internal risk rating parameters are used in calculation of the collective allowance for impairment. Internal risk rating parameters form the basis for calculating the quantitative portion of the collective allowance for performing loans:

(i) Probability of Default rates (PD) which are based upon the internal rating for each borrower;
(ii) Loss Given Default ratings (LGD); and
(iii) Exposure at Default factors (EAD).

Funded exposures are multiplied by the borrower's PD and by the relevant LGD parameter.

Committed but undrawn exposure are multiplied by the borrower's PD, by the relevant LGD parameter, and by the relevant EAD parameter. A model stress component is also applied to recognize uncertainty in the credit risk parameter and the fact that current actual loss rates may differ from the long-term averages included in the model.

Write-off

Investment portfolio and interest receivable (and the related allowance for impairment accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(b) Revenue recognition:

(i) Interest and fee income: Interest income earned is accounted for using the effective interest method. Commitment fees received are amortized to profit and loss over the expected term of the investment.
(ii) Non-conventional mortgages: At each reporting period the Corporation determines the fair value of the special profit and interest participation receivable on non-conventional mortgages. Any changes in fair value are recognized in Other Income.

(c) Share-based compensation:

The Corporation has a share-based compensation plan (i.e. incentive option plan), which is described in note 10(b). The expense of equity-settled incentive option plans are measured based on fair value of the awards of each tranche at the grant date. The expense is recognized on a proportionate basis consistent with the vesting features of each tranche of the grant.

(d) Income taxes:

The Corporation is a mortgage investment corporation ("MIC") pursuant to 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 90 days of the end of the year to the extent the dividends were not deducted previously. The Corporation intends to maintain its status as a MIC and intends to distribute sufficient dividends in the year and in future years to ensure that the Corporation is not subject to income taxes. 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 allowance for current or future income tax is required for the Corporation and its subsidiaries.

(e) Financial assets and liabilities:

Financial assets include the Corporation's amounts receivable, marketable securities, and investment portfolio. Financial liabilities include bank indebtedness, accounts payable and accrued liabilities, shareholders' dividends payable, loans payable, and convertible debentures.

The Corporation classifies its financial assets into the following categories: financial assets at amortized cost, FVOCI, or FVTPL. Marketable securities have been designated as FVTPL. Internal reporting and performance measurement of these investments are on a fair value basis and are based on prices as quoted in an active public marketplace. Amounts receivable and the investment portfolio are classified as amortized cost with some related investments at FVTPL.

The Corporation classifies its financial assets and liabilities as follows:

Assets	**Classification**
Amounts receivable and prepaid expenses	Amortized cost
Marketable securities	FVTPL
Investment portfolio	Amortized cost
Investment portfolio	FVTPL
Liabilities	
Credit facility and bank indebtedness	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Deferred revenue	Amortized cost
Shareholders' dividends payable	Amortized cost
Loans payable	Amortized cost
Convertible debentures	Amortized cost

Recognition and measurement of financial instruments:

The Corporation determines the classification of its financial assets and liabilities at initial recognition. Financial instruments are recognized initially at fair value and, in the case of financial assets and liabilities carried at amortized cost, adjusted for directly attributable transaction costs. Investment portfolio assets classified at FVTPL are subsequently measured at FV using level 3 inputs. Marketable securities classified as at FVTPL are subsequently measured at fair value using the bid/ask price, with gains and losses recognized in profit or loss. Financial instruments classified at amortized cost are subsequently measured at amortized cost less any costs of impairment.

(f) Derecognition of financial assets and liabilities:

Financial assets:

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Corporation is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.
The Corporation enters into transactions whereby it transfers mortgage or loan investments recognized on its statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred mortgage or loan investments. If all or substantially all risks and rewards are retained, then the transferred mortgage or loan investments are not derecognized.

In transactions in which the Corporation neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Corporation continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities:

The Corporation derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

(g) Compound financial instruments:

Compound financial instruments issued by the Corporation comprise convertible debentures that can be converted into shares of the Corporation at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss.

(h) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. Dividends to shareholders are recognized in shareholders' equity.

(i) Basic and diluted per share calculation:

The Corporation presents basic and diluted profit per share data for its common shares. Basic per share amounts are calculated by dividing the profit and loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the year. Diluted per share amounts are calculated using the "if converted method" and are determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all potential dilutive convertible debentures and any options granted under the incentive option plan.

(in Canadian dollars)

(j) Foreign currency translation:

Transactions amounts denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange prevailing at the time of the transactions. Carrying values of monetary assets and liabilities are translated at exchange rates prevailing at the dates of the consolidated statements of financial position. Foreign exchange gains and losses on the receipt of the payments from translations are included in realized gains/loss on foreign exchange in the consolidated statements of income and comprehensive income. All unrealized foreign gains and losses on monetary assets and liabilities are included in unrealized foreign exchange gain/loss in the consolidated statements of income and comprehensive income.

4. Amounts receivable and prepaid expenses

The following is a breakdown of amounts receivable and prepaid expenses as at December 31, 2021 and December 31, 2020:

		December 31, 2021		December 31, 2020
Interest receivable, net of impairment allowance	$	4,324,345	$	3,727,709
Prepaid expenses		169,225		224,113
Fees receivable		359,905		471,501
Special income receivable		22,778		5,551
Amounts receivable and prepaid expenses	**$**	**4,876,253**	$	**4,428,874**

Interest receivable is net of the impairment allowance of $1,308,832 which is related to loans in default that are Stage 3 (December 31, 2020 – $1,270,864). The balances of both interest receivable and impairment allowance were reduced by amounts written off of $1,270,864 (December 31, 2020 – 1,220,077), with no impact on income during the year. The Corporation will continue to seek recovery on amounts that were written off during the year, unless it no longer has the right to collect, or it has exhausted all reasonable efforts to collect.

5. Marketable securities

The Corporation holds units in publicly traded real estate investment trusts, which are classified as fair value through profit or loss ("FVTPL"). The fair value of the units is based on the closing price of the investments, which are actively traded in the marketplace and any adjustments to fair value are reflected in other income. The fair value of the marketable securities at December 31, 2021 is $54,407 (December 31, 2020 – $47,073). For the year ended December 31, 2021, the Corporation recorded an unrealized gain of $7,334 (2020 – an unrealized loss of $69,152) in other income.

6. Investment portfolio

The following is a breakdown of the investment portfolio as at December 31, 2021 and December 31, 2020:

		December 31, 2021			December 31, 2020	
Conventional first mortgages	$	471,593,004	74.1%	$	396,063,172	71.6%
Conventional non-first mortgages		53,002,813	8.3%		39,441,874	7.1%
Related debt investments		64,704,160	10.2%		75,272,991	13.6%
Debtor in possession loan		24,260,000	3.8%		-	0.0%
Discounted debt investments		71,715	0.0%		5,209,650	0.9%
Non-conventional mortgages		12,377,894	1.9%		7,378,000	1.3%
Total investments (at amortized cost)		626,009,586	98.2%		523,365,687	94.5%
Allowance for impairment on investments (at amortized cost)		(3,150,000)	-0.5%		(5,609,000)	-1.0%
Total investments (at amortized cost), net	$	622,859,586		$	517,756,687	
Total investments (at FVTPL)		13,921,947	2.3%		35,642,235	6.5%
Total investments	**$**	**636,781,533**	**100.0%**	**$**	**553,398,922**	**100.0%**
By geography						
Canada	$	620,414,009	97.4%	$	534,815,505	96.6%
United States		16,367,524	2.6%		18,583,417	3.4%
Total	**$**	**636,781,533**	**100.0%**	**$**	**553,398,922**	**100.0%**

(in Canadian dollars)

Included in conventional first mortgages are four United States ("US") dollar denominated investments (at amortized cost) of $9,338,077 (US$7,365,577) (December 31, 2020 – one US dollar denominated investment of $1,916,182 (US$1,503,013)). As at December 31, 2021 a collective loss allowance of $37,000 was applied to these conventional first mortgages.

Included in related debt investments (classified at FVTPL) are three US dollar denominated investments totaling $9,659,447 (US$7,619,062), December 31, 2020 - four US dollar denominated investments totaling $16,669,235 (US$13,092,393). These investments are a participation by the Corporation in limited partnerships that have provided equity to real estate entities in the US. At the end of December 31, 2021, a fair value loss adjustment on one US dollar denominated investment of $2,600,000 had been recognized (2020 – nil).

For the year ended December 31, 2021, income recorded on the US investments (at amortized cost and FVTPL) was $1,277,721 (US$1,033,580), (2020 – $1,848,511 (US$1,363,715). These amounts are included in interest and fees income.

Related debt investments (classified as FVTPL) as at December 31, 2021 also included six Canadian investments (December 31, 2020 – three Canadian investments) totaling $6,862,500 (December 31, 2020 – $18,973,000).

As at December 31, 2021, and December 31, 2020, there were no mortgages with first priority participants. During 2021, the Corporation's loans payable balance was nil (2020 – $27,000,000) and the principal balance outstanding under the mortgage for which a first priority charge had been granted was nil (2020 – $37,125,000 which was fully repaid on July 2, 2020).

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 debt investments are loans that may not necessarily be secured by mortgage charge security. A debtor in possession loan ("DIP Loan"), is a loan obtained by an insolvent debtor while that debtor is restructuring its business under the Companies' Creditor Arrangement Act (Canada). A DIP Loan has top priority on the assets of the debtor company awarded by the court. 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 value ratios that exceed or may exceed 75%. Related investments and non-conventional mortgage investments at times are a source of special profit participation earned by the Corporation.

The following is a breakdown of the investment portfolio as at December 31, 2021:

	Gross carrying amount	Allowance for impairment	Fair value adjustment	Carrying amount
Conventional first mortgages	$ 471,593,004	$ 2,774,000	$ -	$ 468,819,004
Conventional non-first mortgages	53,002,813	130,000	-	52,872,813
Related debt investments	81,226,107	80,000	2,600,000	78,546,107
Debtor in possession loan	24,260,000	1,000	-	24,259,000
Discounted debt investments	71,715	-	-	71,715
Non-conventional mortgages	12,377,894	165,000	-	12,212,894
Total investment portfolio	**$ 642,531,533**	**$ 3,150,000**	**$ 2,600,000**	**$ 636,781,533**

Included in the total allowance for impairment of $3,150,000 is a collective allowance of $1,105,000.

The following is a breakdown of the investment portfolio as at December 31, 2020:

	Gross carrying amount	Allowance for impairment	Fair value adjustment	Carrying amount
Conventional first mortgages	$ 396,063,172	$ 3,436,000	$ -	$ 392,627,172
Conventional non-first mortgages	39,441,874	227,000	-	39,214,874
Related debt investments	110,915,226	995,000	-	109,920,226
Debtor in possession loan	-	-	-	-
Discounted debt investments	5,209,650	5,000	-	5,204,650
Non-conventional mortgages	7,378,000	946,000	-	6,432,000
Total investment portfolio	**$ 559,007,922**	**$ 5,609,000**	**$ -**	**$ 553,398,922**

Included in the total allowance for impairment of $5,750,000 is a collective allowance of $1,080,000.

(in Canadian dollars)

The following table presents the staging of gross investments at amortized cost as at December 31, 2021:

Gross Investments at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Conventional first mortgages	$ 442,690,794	$ 6,132,415	$ 22,769,796	$ 471,593,005
Conventional non-first mortgages	50,002,813	3,000,000	-	53,002,813
Related debt investments	61,386,792	3,317,367	-	64,704,159
Debtor in possession loan	24,260,000	-	-	24,260,000
Discounted debt investments	71,715	-	-	71,715
Non-conventional mortgages	11,948,144	429,750	-	12,377,894
Total gross investments at amortized cost	**590,360,258**	**12,879,532**	**22,769,796**	**626,009,586**
By geography:				
Canada	$ 581,022,181	$ 12,879,532	$ 22,769,796	$ 616,671,509
United States	9,338,077	-	-	9,338,077
Total gross investments at amortized cost	**$ 590,360,258**	**$ 12,879,532**	**$ 22,769,796**	**$ 626,009,586**

The following table presents the staging of gross investments at amortized cost as at December 31, 2020:

Gross investments at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Conventional first mortgages	$ 347,011,643	$ 18,318,750	$ 30,732,779	$ 396,063,172
Conventional non-first mortgages	36,256,874	-	3,185,000	39,441,874
Related debt investments	73,062,433	-	2,210,557	75,272,991
Discounted debt investments	139,650	5,070,000	-	5,209,650
Non-conventional mortgages	378,000	-	7,000,000	7,378,000
Total gross investments at amortized cost	**456,848,600**	**23,388,750**	**43,128,336**	**523,365,687**
By geography:				
Canada	$ 454,932,418	$ 23,388,750	$ 43,128,336	$ 521,449,505
United States	1,916,182	-	-	1,916,182
Total gross investments at amortized cost	**$ 456,848,600**	**$ 23,388,750**	**$ 43,128,336**	**$ 523,365,687**

The following table presents the allowance for credit losses on investments as at December 31, 2021:

Allowance for impairment of credit losses on loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Conventional first mortgages	$ 407,000	$ 5,000	$ 2,362,000	$ 2,774,000
Conventional non-first mortgages	126,000	4,000	-	130,000
Related debt investments	80,000	-	-	80,000
Debtor in possession loan	1,000	-	-	1,000
Discounted debt investments	-	-	-	-
Non-conventional mortgages	163,000	2,000	-	165,000
Total	**$ 777,000**	**$ 11,000**	**$ 2,362,000**	**$ 3,150,000**
By geography:				
Canada	$ 740,000	$ 11,000	$ 2,362,000	$ 3,113,000
United States	37,000	-	-	37,000
Total	**$ 777,000**	**$ 11,000**	**$ 2,362,000**	**$ 3,150,000**

(in Canadian dollars)

The following table presents the allowance for credit losses on investments as at December 31, 2020:

Allowance for impairment of credit losses on loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Conventional first mortgages	$ 378,000	$ 18,000	$ 3,040,000	$ 3,436,000
Conventional non-first mortgages	75,000	-	152,000	227,000
Related debt investments	112,000	-	883,000	995,000
Discounted debt investments	-	5,000	-	5,000
Non-conventional mortgages	-	-	946,000	946,000
Total	**$ 565,000**	**$ 23,000**	**$ 5,021,000**	**$ 5,609,000**
By geography:				
Canada	$ 563,000	$ 23,000	$ 5,021,000	$ 5,607,000
United States	2,000	-	-	2,000
Total	**$ 565,000**	**$ 23,000**	**$ 5,021,000**	**$ 5,609,000**

The following table presents the changes to the provision for credit losses on investments as at December 31, 2021:

The changes to the provision	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2021	**$ 565,000**	**$ 23,000**	**$ 5,021,000**	**$ 5,609,000**
New fundings	611,000	3,000	78,000	692,000
Discharges	(318,000)	-	(1,786,000)	(2,104,000)
Transfer to (from)[1]:				
Stage 1	-	-	-	-
Stage 2	-		-	-
Stage 3	1,007,000	988,000	(1,995,000)	-
Remeasurements[2]	(1,088,000)	(1,003,000)	1,044,000	(1,047,000)
Balance at December 31, 2021	**$ 777,000**	**$ 11,000**	**$ 2,362,000**	**$ 3,150,000**

1 Transfers between stages which are presumed to occur before any corresponding remeasurement of the allowance
2 Remeasurements represent the change in the expected credit loss related to changes in model inputs or assumptions, including changes in macroeconomic conditions, balances changes, and changes in measurement following a transfer between stages.

The loans comprising the investment portfolio are stated at amortized cost and FVTPL. As at December 31, 2021, the allowance for impairment is $3,150,000 (2020 – $5,609,000) of which $2,045,000 (2020 – $4,529,000) represents the total amount of management's estimate of the shortfall between the investment balances and the estimated recoverable amount from the security under the specific loans in default.

The Corporation also assessed collectively for impairment to identify potential future losses, by grouping the investment portfolio with similar risk characteristics, to determine whether a collective allowance should be recorded due to loss events for which there is objective evidence but whose effects are not yet evident. Based on the amounts determined by the analysis, the Corporation used judgement to determine the amounts calculated. As at December 31, 2021, the Corporation carries a collective allowance of $1,105,000 (2020 – $1,080,000).

The investment portfolio as at December 31, 2021, included one investment totaling $8,712,449 (December 31, 2020 – six investments totaling $25,137,615) which is considered in default and a specific allowance of $2,045,000 (December 31, 2020 – $4,529,000) was recorded in the Corporation's allowance for impairment.

ECL sensitivity and key economic variables

The Corporation incorporates forward-looking information into the measurement of ECL and formulates probability weightings to three economic scenarios - base case scenario being the Corporation's view of the most probable outcome, as well as benign and adverse scenarios. The key modelled inputs include economic data and forecasts published by 5 of the largest financial institutions in Canada. The weights assigned to each scenario have been determined based on applying management's judgement and industry knowledge.

(in Canadian dollars)

The scenario probability weightings applied in the measuring the ECL as at December 31, 2021:

	Benign	Base	Adverse
Marco-economic scenario probability weightings	10%	80%	10%

The Corporation has considered the relationship between multiple macro-economic variables that have included interest rates, unemployment rates, and GDP. Forecasting relationships between key macro-economic indicators and the default rates of the loan portfolio have been developed based on analysing over 6 years of market data and internal data.

For our Adverse scenario we are shocking interest rates up 30%, unemployment rates up 10% and GDP down 10%. Conversely, the Benign scenario will shock interest rates down by 30%, unemployment down by 10% and GDP up by 10%.

The impact of each scenario on our collective allowance at December 31, 2021 is as follows:

	Benign	Base	Adverse
Real GDP	4.66%	4.24%	3.81%
Interest Rates	0.46%	0.65%	0.85%
Unemployment rates	4.70%	5.30%	5.80%
Collective Allowance	$ 1,047,000	$ 1,105,000	$ 1,376,000

For the base scenario, forecasted macroeconomic variables received from the 5 largest Financial Institutions in Canada were used. Based on these forecasts, GDP is expected to decline with rising interest rates. In addition, the economic recovery after the impact of COVID 19 is expected to result in declining unemployment rates.

The adverse scenario presents an economic downturn with GDP declining, interest rates rising and with unemployment increasing.

The benign scenario presents an economic upturn as the relaxation of COVID-19 restrictions fuels increased consumer confidence as the economy reopens.

These assumptions are limited to the availability of relatable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairments are subjective and may not necessarily be comparable to the actual outcomes. As new market and internal data become available, the Corporation monitors the key modeling assumptions and including macro-economic factors expected trends, and the impact these changes will have on the ECL.

Gross carrying value of exposure by risk rating

The following table presents the gross carrying amount of the investment portfolio stated at amortized cost subject to IFRS 9 impairment requirements by internal risk ratings used by the Corporation for credit risk purposes.

The internal risk ratings presented in the table below are defined as follows:

Category	Borrower Quality	Certainty of Repayment	Property Location	Loan to Value
Low	Strong	High	Strong	Low
Low to Medium	Medium\Strong	High\Moderate	Medium\Strong	Low\Medium
Medium	Medium	Moderate	Medium	Medium
Medium to High	Weak\Medium	Low\Moderate	Weak\Medium	Medium\High
High	Weak	Low	Weak	High
High to Default	Very Weak	Very Low	Weak	High

(in Canadian dollars)

The following table represents the internal risk ratings as at December 31, 2021:

	Conventional first mortgages	Conventional non-first mortgages	Related investments	Discounted debt	Debtor In Possession Loan	Non-conventional mortgages	Total
Stage 1							
Low	$ 42,970,208	$ 2,724,371	$ -	$ 71,650	$23,100,000	$ 3,500,000	$ 72,366,229
Low to medium	87,672,174	12,212,550	12,316,026	65	-	369,609	112,570,424
Medium	287,749,261	30,835,637	49,070,767	-	1,160,000	2,652,000	371,467,665
Medium to high	24,299,150	4,230,255	-	-	-	5,426,535	33,955,940
Stage 2							
Medium	4,450,000	3,000,000	-	-	-	429,750	7,879,750
Medium to high	1,682,415	-	-	-	-	-	1,682,415
High	-	-	3,317,367	-	-	-	3,317,367
Stage 3							
Medium	10,032,347	-	-	-	-	-	10,032,347
Medium to High	4,025,000	-	-	-	-	-	4,025,000
High to default	8,712,449	-	-	-	-	-	8,712,449
Total	**$ 471,593,004**	**$ 53,002,813**	**$ 64,704,160**	**$ 71,715**	**$24,260,000**	**$ 12,377,894**	**$ 626,009,586**
Impairment allowance	2,774,000	130,000	80,000	-	1,000	165,000	3,150,000
Carrying amount	**$ 468,819,004**	**$ 52,872,813**	**$ 64,624,160**	**$ 71,715**	**$24,259,000**	**$ 12,212,894**	**$ 622,859,586**

The following table represents the internal risk ratings as at December 31, 2020:

	Conventional first mortgages	Conventional non-first mortgages	Related investments	Discounted debt	Non-conventional mortgages	Total
Stage 1						
Low	$ 8,142,447	$ 1,301,024	$ -	$ 139,650	$ -	$ 9,583,121
Low to medium	111,954,819	10,974,135	31,991,667	-	-	154,920,621
Medium	213,105,499	23,474,043	41,070,767	-	378,000	278,028,309
Medium to high	13,808,878	507,673	-	-	-	14,316,551
Stage 2						
Medium	4,450,000	-	-	-	-	4,450,000
Medium to high	13,868,750	-	-	5,070,000	-	18,938,750
Stage 3						
Medium	21,511,783	3,185,000	-	-	-	24,696,783
Medium to High	-	-	-	-	7,000,000	7,000,000
High to default	9,220,996	-	2,210,557	-	-	11,431,553
Total	**$ 396,063,172**	**$ 39,441,875**	**$ 75,272,991**	**$ 5,209,650**	**$ 7,378,000**	**$ 523,365,688**
Impairment allowance	3,436,000	227,000	995,000	5,000	946,000	5,609,000
Carrying amount	**$ 392,627,172**	**$ 39,214,875**	**$ 74,277,991**	**$ 5,204,650**	**$ 6,432,000**	**$ 517,756,688**

The loans comprising the Investment portfolio bear interest at the weighted average rate of 7.91% per annum as at December 31, 2021 (December 31, 2020 – 8.20% per annum) and mature between 2021 and 2025.

(in Canadian dollars)

The unadvanced funds under the existing investment portfolio (which are commitments of the Corporation) amounted to $115,566,269 as at December 31, 2021 (December 31, 2020 – $108,587,859).

The contractual maturity dates of the investment portfolio as at December 31, 2021:

2022	$ 424,604,570
2023	172,979,666
2024	22,124,412
2025	22,822,885
Total	**$ 642,531,533**

Borrowers who have open loans generally have the option to repay principal at any time prior to the maturity date without penalty, subject to written notice, according to the terms of each mortgage loan.

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 these participation agreements, the Corporation retains 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 note 3(f) above (Derecognition of financial assets and liabilities).

The portion of such mortgage interests held by the priority participant is included in investment portfolio and recorded as loans payable. Any gross interest and fees earned on the priority participants' interests and the related interest expense is recognized in income and profit.

As at December 31, 2021, the carrying value of the priority participants' interests in the Corporation's investment portfolio and loans payable was $nil (December 31, 2020 – $nil).

As at December 31, 2021, excluding investments for which there is an allowance or a fair value adjustment recorded against them by the Corporation, the Investment Portfolio had two investments totaling $4,019,732 (December 31, 2020 – one investment with a balance totaling $822,854) with contractual interest arrears greater than 60 days past due amounting to $404,111 (December 31, 2020 – $68,440).

The investment portfolio as at December 31, 2021, included five investments totaling $25,284,527 (December 31, 2020 - seven investments totaling $30,245,129) with maturity dates that are past due and for which no extension or renewal was in place. Three of the five investments were paid out after December 31, 2021 for an amount of $6,539,732 (December 31, 2020 - one investment was paid out in the amount of $822,854). One of these investment totaling $8,712,448 (December 31, 2020 – three investments totaling $11,431,554) have an allowance recorded against them included in the Corporation's allowance for impairment or a fair value adjustment. The remaining one investment with a maturity date that is past due and for which no extension or renewal was in place amounts to $10,032,347 (December 31, 2020 - three investments totaling $17,990,721) not require a specific allowance.

As at December 31, 2021, 147 of the Corporation's 224 investments (investment amount of $556,525,358) are shared with other participants (December 31, 2020 – 141 of the Corporations' 183 investments totaling $494,686,380).

The Mortgage Banker services the entire investment in which the Corporation is a participant, on behalf of all participants and except for the case of an investment with a first priority syndicate participant (i.e. loans payable), the Corporation ranks pari-passu with other members of the syndicate as to receipt of principal, interest and fees. As at December 31, 2021, no investment with first priority syndicate participation was outstanding.

Investments classified at FVTPL:
As at December 31, 2021, there are nine investments totalling $16,521,947 (December 31, 2020 – six investments totalling $35,642,235) that are carried at FVTPL and a fair value adjustment of $2,600,000 (December 31, 2020- nil) is recorded against one of the investment carried at FVTPL (note 15).

The Corporation establishes fair value for investments that are classified as FVTPL using an appropriate valuation technique. Fair value was determined by applying an appropriate overall capitalization rate to stabilized net operating income.

7. Credit facility and bank indebtedness

The Corporation has revolving credit facilities with its principal banker of which $74,548,170 includes the credit facility and bank indebtedness balance as at December 31, 2021 (December 31, 2020 – $72,252,359). Interest on the credit facility and bank indebtedness is predominantly charged at a 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 facility, a component of which is a demand facility and a component of which has a committed term extended to September 30, 2022 (as further detailed in note 17 (c)). Bank indebtedness is secured by a general security agreement. The credit agreement contains certain financial covenants that must be maintained. As at December 31, 2021 and December 31, 2020, the Corporation was in compliance with all financial covenants.

As at December 31, 2021, the credit facility drawn amount was $53,997,526 and the bank indebtedness was $20,550,644 (December 31, 2020, the credit facility drawn amount was $53,585,420 and the bank indebtedness was $18,666,939).

The draw on the credit facility in the amount of $53,997,526 at December 31, 2021 (December 31, 2020 - $53,585,420), related to both borrowings in Canadian dollars of $35,000,000 (December 31, 2020 – $35,000,000) and US dollar borrowings of $14,984,640 (in Canadian dollars $18,997,526), (December 31, 2020 US dollar borrowings $14,597,408 (in Canadian dollars $18,585,420)). The borrowing in US dollars exactly matches the amount of US dollar denominated investments, thereby acting as an economic hedge against currency exposure.

8. Debentures

	Year Ended December 31, 2021	Year Ended December 31, 2020
Carrying value, beginning of the period	**$ 137,117,831**	**$ 139,161,491**
Issued	41,423,613	-
Conversions of debentures to shares	(2,201,000)	(3,389,000)
Implicit interest rate in excess of coupon rate	380,610	295,674
Deferred finance cost	1,086,424	1,049,666
Carrying value, end of the period	**$ 177,807,478**	**$ 137,117,831**

The continuity of the convertible debentures for the year ended December 31, 2021:

Debenture	Balance, beginning of period	Issued	Conversions	Implicit interest rate in excess of coupon	Deferred finance cost	Balance, end of period	Maturity date
FC.DB.E 5.3%	$ 21,867,107	$ -	$ (1,112,000)	$ 20,300	$ 153,337	$ 20,928,744	31-May-22
FC.DB.F 5.5%	20,095,314	-	(1,089,000)	52,931	154,254	19,213,499	31-Dec-22
FC.DB.G 5.2%	21,856,890	-	-	47,083	164,624	22,068,597	31-Dec-23
FC.DB.H 5.3%	25,704,610	-	-	29,740	184,895	25,919,245	31-Aug-24
FC.DB.I 5.4%	24,017,456	-	-	42,257	168,675	24,228,388	30-Jun-25
FC.DB.J 5.5%	23,576,454	-	-	98,837	164,352	23,839,643	31-Jan-26
FC.DB.K 5.0%	-	41,423,613	-	89,462	96,287	41,609,362	30-Sep-28
Total	**$ 137,117,831**	**$41,423,613**	**$ (2,201,000)**	**$ 380,610**	**$ 1,086,424**	**$177,807,478**	

As at December 31, 2021, debentures payable bear interest at the weighted average effective rate of 5.28% per annum (December 31, 2020 – 5.37% per annum). Notwithstanding the carrying value of the convertible debentures, the principal balance outstanding to the debenture holders is $185,390,000 as at December 31, 2021 (December 31, 2020 – $141,591,000).

During 2021, $2,201,000 (2020 – $3,389,000) of convertible debentures were converted into 157,490 Shares (2020 – 242,501).

(in Canadian dollars)

On September 10th, 2021, the Corporation completed a public offering of 40,000 5.00% convertible unsecured subordinated debentures at a price of $1,000 per debenture for gross proceeds of $40,000,000. Prior to closing, an over-allotment was fully exercised whereby an additional 6,000 5.00% convertible unsecured subordinated debentures at a price of $1,000 per debenture for gross proceeds of $6,000,000 were issued. Issuance costs of these offerings were in aggregate $2,076,387. The debentures mature on September 30, 2028, and interest is paid semi-annually on the last day of March and September of each year. The debentures are convertible at the option of the holder at any time prior to the maturity date at a conversion price of $17.75. The debentures may not be redeemed by the Corporation prior to September 30, 2024. On or after September 30, 2024, but prior to September 30, 2026, the debentures are redeemable at a price equal to the principal, plus accrued and unpaid 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 5 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 September 30, 2026 and prior to the maturity date, the debentures are redeemable at a price equal to the principal amount plus accrued and unpaid 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, on not more than 60 days' and not less than 40 days' prior notice, 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	$	43,500,000
Equity		2,500,000
Principal	**$**	**46,000,000**

The continuity of the convertible debentures for the year ended December 31, 2020:

Debenture	Balance, beginning of period	Issued	Conversions	Implicit interest rate in excess of coupon	Deferred finance cost amortization	Balance, end of period	Maturity date
FC.DB.E 5.3%	23,539,994	-	(1,885,000)	28,529	183,584	21,867,107	31-May-22
FC.DB.F 5.5%	21,339,774	-	(1,487,000)	60,875	181,665	20,095,314	31-Dec-22
FC.DB.G 5.2%	21,647,210	-	-	44,605	165,075	21,856,890	31-Dec-23
FC.DB.H 5.3%	25,490,648	-	-	28,560	185,402	25,704,610	31-Aug-24
FC.DB.I 5.4%	23,808,324	-	-	39,995	169,137	24,017,456	30-Jun-25
FC.DB.J 5.5%	23,335,541	-	(17,000)	93,110	164,803	23,576,454	31-Jan-26
Total	**$139,161,491**	**-**	**($3,389,000)**	**$295,674**	**$1,049,666**	**$137,117,831**	

9. Shareholders' equity

The beneficial interest in the Corporation is represented by a single class of shares that 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 December 31, 2021:

	# of shares		Amount
Balance, beginning of year	30,843,166	$	339,784,430
Shares from equity offering	1,466,600		21,779,010
Conversion of convertible debenture to shares	157,490		2,201,000
Equity offering costs	-		(1,215,362)
Options exercised in the year	947,500		11,448,757
New shares issued during the year under Dividend Reinvestment Plan	196,129		2,808,307
Balance, end of year	**33,610,885**	**$**	**376,806,142**

(in Canadian dollars)

The following shares were issued and outstanding as at December 31, 2020:

	# of shares		Amount
Balance, beginning of year	28,334,972	$	310,158,598
Shares from equity offering	2,139,000		25,881,900
Conversion of convertible debenture to shares	242,501		3,389,000
Equity offering costs	-		(1,297,013)
Options exercised in the year	65,000		771,950
New shares issued during the year under Dividend Reinvestment Plan	61,693		879,995
Balance, end of year	**30,843,166**	**$**	**339,784,430**

On November 1, 2021, the Corporation along with shareholders associated with the Corporation (the "Selling Shareholders") closed on a bought deal basis, to a syndicate of underwriters, 1,936,000 common shares of the Corporation (the "Shares") at a price of $14.85 per Share (the "Issue Price"). Under the Agreement, 1,466,600 Shares were issued from Treasury by the Corporation for gross proceeds of approximately $22 million (the "Treasury Offering") and an aggregate of 470,000 Shares were be sold by the Selling Shareholders for aggregate gross proceeds to the Selling Shareholders of approximately $7 million (the "Secondary Offering").

Shares issued in 2021 under the Dividend Reinvestment Plan were 196,129 (2020 – 61,693).

During 2021, $2,201,000 of the debentures were converted into 157,490 Shares (2020 – $3,389,000 of the debentures and 242,501 Shares).

During 2021, 947,500 options were exercised under the stock option plan (2020 – 65,000) options were exercised).

(b) Incentive option plan

The following is the status of the stock options issued under the Corporation's stock option plan.

	December 31, 2021			December 31, 2020		
	Number of options	Weighted average exercise price	Amount[3]	Number of options	Weighted average exercise price	Amount[3]
Outstanding, beginning of period	**2,690,000**	**$ 11.77**	**$ 987,067**	**880,000**	**$ 11.91**	**$ 87,186**
Exercised (Options issued on Aug 14, 2020)	(355,000)	11.70	(258,537)	(65,000)	11.78	(6,250)
Exercised (Options issued on Jun 29, 2017)	(35,000)	13.15	(5,515)	-	-	-
Exercised (Options issued on Nov 11, 2013)	(557,500)	11.78	(3,605)	-	-	-
Options granted/amortization amount	100,000	13.97	71,002	1,875,000	11.70	906,131
Outstanding, end of period	**1,842,500**	**$ 11.87**	**$ 790,412**	**2,690,000**	**$ 11.77**	**$ 987,067**
Number of options exercisable	**1,667,500**	**$ 11.87**		**2,515,000**	**$ 11.77**	

[3] The amount outstanding corresponds to the stock based compensation associated with the issued stock options.

The following options were issued and outstanding as at December 31, 2021:

Expiry date	Number of options outstanding		Exercise price	Number of options exercisable
November 11, 2023	187,500	$	11.78	187,500
November 11, 2023	35,000		12.21	35,000
November 11, 2023	35,000		13.15	35,000
August 14, 2030	1,485,000		11.70	1,310,000
December 6, 2031	100,000		13.97	100,000
Total	1,842,500	$	11.87	1,667,500

(in Canadian dollars)

For the year ended December 31, 2021, the board of directors of the Corporation granted options to certain officers of the Corporation to purchase up to 100,000 Shares at price of $13.97 per Share with the expiry date of December 6, 2031. All 100,000 options vested immediately. The fair value of the options granted was estimated at $52,621 using the Black-Scholes options pricing model.

On August 14, 2020, the board of directors of the Corporation granted options to certain officers, directors and employees of the Corporation and the Mortgage Banker to purchase up to 1,875,000 Shares at a price of $11.70 per Share with the expiry date of August 14, 2030. Of the 1,875,000 options granted, 1,700,000 options vested immediately, and the remaining 175,000 options will vest on August 14, 2025. The fair value of the options granted was estimated at $991,093 using the Black-Scholes options pricing model.

The total number of stock options outstanding as at December 31, 2021 is 1,842,500 (December 31, 2020 – 2,690,000), of which 1,667,500 stock options are vested and exercisable (December 31, 2020 – 2,515,000).

(c) Dividend reinvestment plan and direct share purchase plan

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

(d) Normal course issuer bid

On March 30, 2020, the Corporation received approval from the Toronto Stock Exchange ("TSX") for its intention to make a normal course issuer bid (the "NCIB") with respect to the Shares. The notice provided that the Corporation may, during the 12-month period commencing April 3, 2020 and ending no later than April 2, 2021, purchase through the facilities of the TSX or alternative Canadian Trading Systems up to 2,800,000 Shares in total, being approximately 10% of the "public float" of Shares as of March 30, 2020. During the term of the NCIB, the Corporation did not purchase and cancel any Shares. The NCIB expired on April 2, 2021.

10. Per Share amounts

Earnings per share calculation:

The following table reconciles the numerators and denominators of the basic and diluted earnings per share for the year ended December 31, 2021 and 2020:

Basic earnings per share calculation:

	2021	2020
Numerator for basic earnings per share:		
Net earnings for the period	$ 29,985,385	$ 26,353,473
Denominator for basic earnings per share:		
Weighted average shares	31,560,133	28,852,672
Net basic earnings per share	**$ 0.950**	**$ 0.913**

Diluted earnings per share calculation:

	2021	2020
Numerator for basic earnings per share:		
Net earnings for the period	$ 29,985,385	$ 26,353,473
Interest on convertible debentures	8,119,005	1,375,671
Net diluted earnings for the period	38,104,390	27,729,144
Denominator for basic earnings per share:		
Weighted average shares	31,560,133	28,852,672
Net shares that would be issued:		
Assuming the proceeds from options are used to repurchase units at the average share price	328,106	57,867
Assuming debentures are converted	8,580,787	1,585,018
Diluted weighted average shares	40,469,026	30,495,557
Diluted earnings per share	**$ 0.942**	**$ 0.909**

11. Dividends

The Corporation intends to make dividend payments to the shareholders on a monthly basis on or about the 15th day of each following 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 year ended December 31, 2021, the Corporation recorded dividends of $29,985,385 (2020 – $27,430,809) to its shareholders. Dividends were $0.948 per share (2020 – $0.944 per share).

12. Related party transactions and balances

The Corporation's Manager (a company related to certain officers and/or directors of the Corporation) receives an allocation of interest, referred to as the Corporation's joint venture interest arrangement, calculated at 0.75% per annum of the Corporation's daily outstanding performing investment balances. For the year ended December 31, 2021, this amount was $4,151,045 (2020 – $3,774,550). Included in accounts payable and accrued liabilities at December 31, 2021 are amounts payable to the Corporation's Manager of $486,188 (December 31, 2020 – $345,968).

The Mortgage Banker (a company related to certain officers and/or directors of the Corporation) 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 of the commitment and renewal fees generated from the Corporation's investments; and 25% of all of 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 of the Corporation is net of the loan servicing fees paid to the Mortgage Banker of approximately $541,000 for the year ended December 31, 2021 (2020 - $503,000). 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 Joint Venture Agreement and Mortgage Banking Agreement contain, respectively, allowances 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.

A significant number 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.

The Corporation holds a mortgage investment totaling $nil at December 31, 2021 (classified as discounted debt investment) that originated from the purchase of a mortgage loan from a Schedule 1 bank at a discount to its original principal balance (December 31, 2020 – $5,070,000). The Corporation’s investment is by way of a participation in a mortgage loan to the entity that took title to the real estate following the completion of the enforcement foreclosure that occurred after the purchase of the underlying Schedule 1 bank mortgage. The Corporation is a pari-passu participant in the mortgage, having the same rights as all other participants in the loan. The entity that holds title to the real estate as agent is related to the other participants in the mortgage loan investment, including entities related to certain directors of the Corporation, and for this reason, the borrower is classified as a related party. For the year ended December 31, 2021, the Corporation recognized interest earned of $46,483 (2020 – $258,014) from this investment. No impairment allowance was recorded on this loan as at December 31, 2021 (December 31, 2020 $nil).

Key management compensation:

For the year ended December 31, 2021 the total directors' fee expenses were $321,000 (2020 – $314,000). Certain key management personnel are also directors of the Corporation and received compensation from the Corporation's Manager. The Directors and Officers held 694,728 shares in the Corporation as at December 31, 2021 (December 31, 2020 - 657,919).

For the year ended December 31, 2021, 100,000 options were issued under our stock option plan (2020 – 1,875,000), of which 100,000 (2020 – 1,230,000) were issued to the officer of the Corporation.

Aggregate compensation paid to key management personnel (including payments to related parties for their recovery of costs), consisted of short-term employee compensation of $3,746,744 (2020 - $3,330,814) for the year ended December 31, 2021. All compensation was paid by the Corporation's Manager and not by the Corporation.

(in Canadian dollars)

13. Interest expense

	2021	2020
Bank interest expense	$ 1,338,192	$ 1,228,150
Loans payable interest expense	-	373,663
Debenture interest expense	9,756,259	8,934,800
Interest expense	11,094,451	10,536,613
Deferred finance costs amortization - convertible debentures	(1,086,424)	(1,049,666)
Implicit interest rate in excess of coupon rate - convertible debentures	(380,610)	(295,674)
Changes in accrued interest payable	(701,999)	(13,562)
Cash interest paid	**$ 8,925,418**	$ **9,177,711**

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 a material impact on these financial statements.

15. Fair value

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

The fair value of the investment portfolio approximates its carrying value as the majority of the loans are repayable in full at any time without penalty and generally 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 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 of the fair value hierarchy.

The following table presents the changes in related debt investments (at FVTPL) as at December 31, 2021

Changes to related debt investments at FVTPL	2021	2020
Balance at January 1st	$ 35,642,235	$ 35,051,003
Funding of investments	11,623,706	1,190,598
Repayments of investments	(31,612,674)	(249,222)
Unrealized foreign exchange	868,680	(350,144)
Fair value adjustment	(2,600,000)	-
Balance at December 31st	**$ 13,921,947**	**$ 35,642,235**

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 repayment of the underlying loan that secures the loan payable, 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 securities 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 tables below present the fair values hierarchy of the Corporation's financial instruments as at December 31, 2021 and December 31, 2020. 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:

(in Canadian dollars)

December 31, 2021	Level 1	Level 2	Level 3	Total
Marketable securities	$ 54,407	$ -	$ -	$ 54,407
Convertible debentures	189,384,870	-	-	189,384,870

December 31, 2020	Level 1	Level 2	Level 3	Total
Marketable securities	$ 47,073	$ -	$ -	$ 47,073
Convertible debentures	142,409,853	-	-	142,409,853

16. Risk management

The Corporation is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition, and operating results. Many of these risk factors are beyond the Corporation's direct control. The Corporation Manager and Board of Directors play an active role in monitoring the Corporation's key risks and in determining the policies that are best suited to manage these risks. There has been no change in the process since the previous year.

The COVID-19 virus has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which, over the course of the pandemic, have included measures such as the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and full impact of the COVID-19 pandemic on the Corporation is unknown at this time, as is the efficacy of the government's interventions. The extent of the effect of COVID-19 on the Corporation's operational and financial performance will depend on numerous factors including the duration, spread, time frame and effectiveness of vaccination roll-out, all of which are uncertain and difficult to predict. As a result, it is not currently possible to ascertain the long-term impact of COVID-19 on the Corporation's business and operations. The volatility and disruption related to the COVID-19 outbreak and the reactions to it may result in a disruption or deferral in borrower payments, a decline in the appraised value or saleability of properties, a decline of interest rates, a deterioration of the credit worthiness of the borrowers, an inability for the borrowers to obtain additional financing, should the need arise, and/or the need to extend the maturity date of the mortgage. At this point, the extent to which COVID-19 may impact the Corporation is uncertain.

The Corporation's business activities, including its use of financial instruments, exposes the Corporation to various risks, the most significant of which are interest rate risk, credit and operational risks, and liquidity risk.

(a) Interest rate risk
A significant portion of the Corporation's investment portfolio comprise investments in short term mortgage loans that generally are repaid by the borrowers in under twenty-four months. The reinvestment of funds received from such repayments are invested at current market interest rates. As such, the weighted average interest rate applicable to the investment portfolio changes with time. This creates an ongoing risk that the weighted average interest rate on the investment portfolio will decrease, which will have a negative impact on the Corporation's interest income and net profit.

(i) Interest income risk

A significant portion of the Corporation's investment portfolio comprise investments in short term mortgage loans that generally are repaid by the borrowers in under twenty-four months. The reinvestment of funds received from such repayments are invested at current market interest rates. As such, the weighted average interest rate applicable to the investment portfolio changes with time. This creates an ongoing risk that the weighted average interest rate on the investment portfolio will decrease, which will have a negative impact on the Corporation's interest income and net profit.

(ii) Interest expense risk

The Corporation's floating-rate debt comprises bank indebtedness, and loan on debenture portfolio investment, with each bearing interest based on bank prime and/or based on short term bankers' acceptance interest rates as a benchmark.

(in Canadian dollars)

At December 31, 2021, if interest rates at that date had been 100 basis points lower or higher, with all other variables held constant, comprehensive income and equity for the year would be affected as follows:

Financial assets:	**Carrying Value**	**-1%**	**+1%**
Amounts receivable and prepaid expenses	$ 4,876,253	$ -	$ -
Marketable securities	54,407	-	-
Investment portfolio	636,781,533	-	4,798,873
Financial liabilities:			
Bank indebtedness	20,550,644	205,506	(205,506)
Credit facility	53,997,526	539,975	(539,975)
Accounts payable and accrued liabilities	2,229,194	-	-
Shareholders' dividends payable	3,024,980	-	-
Convertible debentures	177,807,478	-	-
Total increase	**$ 899,322,015**	**$ 745,481**	**$ 4,053,392**

(b) Credit and operational risks

Credit risk is the possibility that a borrower under one of the mortgages comprising the investment portfolio, may be unable to honour the debt commitment as a result of a negative change in the borrowers' financial position or market conditions that could result in a loss to the Corporation.

Any instability in the real estate sector or an adverse change in economic conditions in Canada could result in declines in the value of real property securing the Corporation's investments. There have been significant increases in real estate values in various sectors of the Canadian market over the past few years. A correction or revaluation of real estate in such sectors will result in a reduction in values of the real estate securing mortgage loans that comprise the Corporation's investment portfolio. This could result in impairments in the mortgage loans or loan losses in the event the real estate security has to be realized upon by the lender. The Corporation's maximum exposure to credit risk is represented by the carrying values of amounts receivable and the investment portfolio.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its financial obligations as they become due.
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The Corporation's liquidity requirements relate to its obligations under its bank indebtedness, loans payable, convertible debentures, and its obligations to make future advances under its existing portfolio. Liquidity risk is managed by ensuring that the sum of (i) availability under the Corporation's bank borrowing line, (ii) the sourcing of other borrowing facilities, and (iii) projected repayments under the existing investment portfolio, exceeds projected needs (including funding of further advances under existing and new investments).

As at December 31, 2021, the Corporation had not utilized its full leverage availability, being a guideline of 50% of its first mortgage investments. Unadvanced committed funds under the existing investment portfolio amounted to $115,566,269 as at December 31, 2021 (December 31, 2020 - $108,587,859). These commitments are anticipated to be funded from the Corporation's credit facility and borrower repayments. The Corporation has a demand revolving line of credit of $100 million and a committed revolving line of credit with its principal banker to fund the timing differences between investment advances and investment repayments. The committed line of $20 million is a committed facility with a maturity date extended to September 30, 2022.

In the current economic climate and capital market conditions, there are no assurances that the bank borrowing line will be renewed or that it could be replaced with another lender if not renewed. If it is not extended at maturity, repayments under the Corporation's investment portfolio would be utilized to repay the bank indebtedness. There are limitations in the availability of funds under the revolving line of credit. The Corporation's investments are predominantly short-term in nature, and as such, the continual repayment by borrowers of existing investments creates liquidity for ongoing investments and funding commitments. Loans payable, when implemented, relate to borrowings on specific investments within the Corporation's portfolio and only have to be repaid once the specific loan is paid out by the borrower.

(in Canadian dollars)

If the Corporation is unable to continue to have access to its bank borrowing line and loans payable, the size of the Corporation's investment portfolio will decrease and the income historically generated through holding a larger portfolio by utilizing leverage will not be earned.

Contractual obligations as at December 31, 2021 are due as follows:

	Total	Less than 1 year	1-3 years	4-7 years
Bank indebtedness	$ 20,550,644	$ 20,550,644	$ -	$ -
Credit facility	53,997,526	53,997,526	-	-
Accounts payable and accrued liabilities	2,229,194	2,229,194	-	-
Shareholders' dividends payable	3,024,980	3,024,980	-	-
Convertible debentures	185,390,000	40,407,000	74,000,000	70,983,000
Subtotal - Liabilities	265,192,344	120,209,344	74,000,000	70,983,000
Future advances under portfolio	115,566,269	115,566,269		
Liabilities and contractual obligations	**$380,758,613**	**$ 235,775,613**	**$ 74,000,000**	**$ 70,983,000**

The bank indebtedness and loans payable are liabilities resulting from the funding of the Corporation's investments. Repayment of investments results in a direct and corresponding pay down of the bank indebtedness and/or loans payable. The obligations for future advances under the Corporation's investment portfolio are anticipated to be funded from the Corporation's credit facility and borrower repayments. Upon funding of same, the funded amount forms part of the Corporation's investments.

Interest payments on debentures (assuming the amounts remain unchanged) would be $9,129,733 for less than 1 year, $13,558,963 for 1 to 3 years and $10,788,571 for 4 to 7 years.

(d) Capital risk management

The Corporation defines capital as being the funds raised through the issuance of publicly traded securities of the Corporation. The Corporation's objectives when managing capital/equity are:

- to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and
- to provide an adequate return to shareholders by obtaining an appropriate amount of debt, commensurate with the level of risk.

The Corporation manages the capital/equity structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Corporation may issue new shares or convertible debentures or repay bank indebtedness (if any) and loans payable.

The Corporation's investment guidelines, which can be varied at the discretion of the Board of Directors, incorporate various guidelines and investment operating policies. The Corporation's guidelines include the following: the Corporation (i) will not invest more than 10% of the amount of its capital in any single conventional first mortgage where the loan to value on such loan is less than 60%, (ii) will not invest more than 8% of the amount of its capital in any single conventional first mortgage where the loan to value on such loan is between 60% and 70%, (iii) will not invest more than 5% of the amount of its capital in any single conventional first mortgages where the loan to value on such loan exceeds 70%, (iv) will not invest more than 2.5% of the amount of its capital in any single non-conventional mortgage or conventional investment that is not a first mortgage, and (v) will only borrow funds in order to acquire or invest in investments in amounts up to 60% of the book value of the Corporation's portfolio of conventional first mortgages. Capital is defined as the sum of shareholders' equity plus the face amount of convertible debentures. The Corporation is required by its bank lender to maintain various covenants, including minimum equity amount, interest coverage ratios, indebtedness as a percentage of the performing first mortgage portfolio size, and indebtedness to total assets. The Corporation is in compliance with all such bank covenants.

(e) Currency risk

Currency risk is the risk that the fair value or future cash flows of the Corporation's foreign currency-denominated investments and cash and cash equivalents will fluctuate based on changes in foreign currency exchange rates. Consequently, the Corporation is subject to currency fluctuations that may impact its financial position and results of operations. The Corporation manages its currency risk on its investments by borrowing the same amount as the investment in the same currency. As a result, a 1% change in the exchange rate of the Canadian dollar against the U.S. dollar will not result in a significant change to the net income and comprehensive income and equity.

(in Canadian dollars)

17. Supplementary information

The following table reconciles the changes in cash flows from financing activities for loans payable and convertible debentures:

	Credit facility	Convertible Debentures
Balance at January 1, 2021	**$ 53,585,420**	**$ 137,117,831**
Financing cash flow activities:		
Debenture issue	-	41,423,613
Draw on credit facility	412,106	-
Repayment of convertible debentures	-	(2,201,000)
Total cash flow from financing activities	53,997,526	176,340,444
Financing non-cash activities:		
Implicit interest rate in excess of coupon rate (note 14)	-	380,610
Deferred finance cost amortization (note 14)	-	1,086,424
Total non-cash flow financing activities	-	1,467,034
Balance at December 31, 2021	**$ 53,997,526**	**$ 177,807,478**

18. Subsequent Events

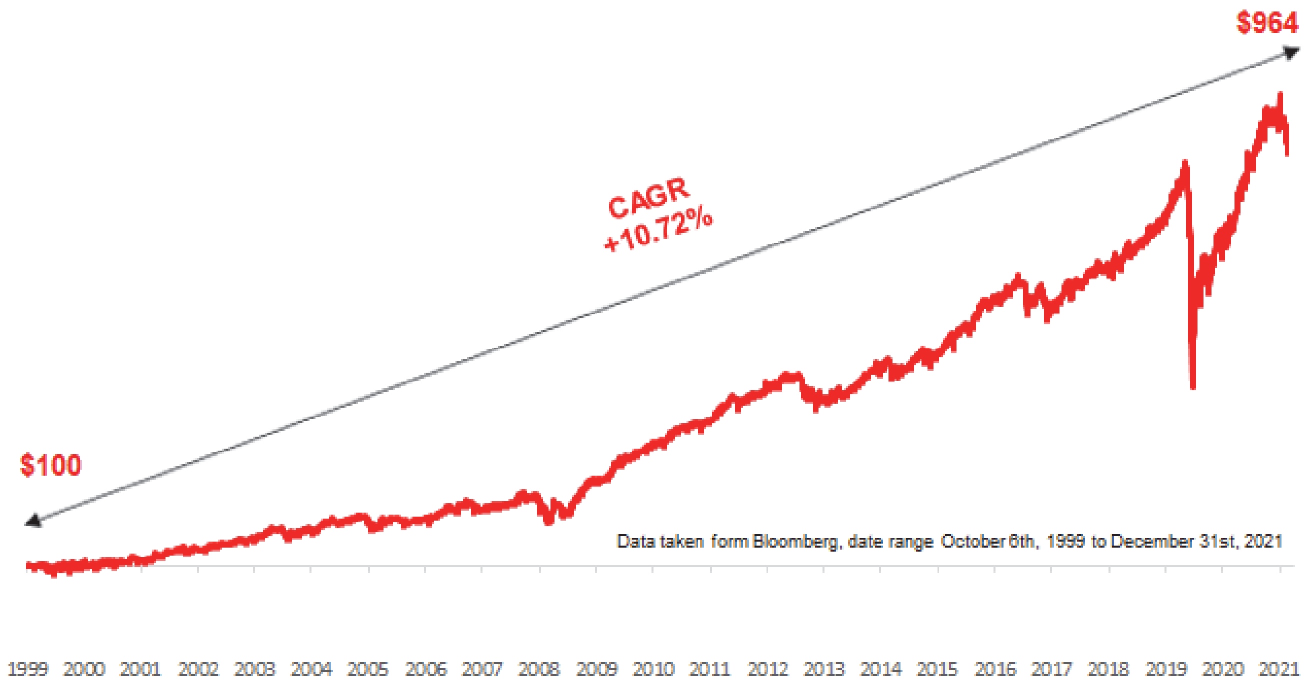
On January 27, 2022, the Corporation completed a public offering of 40,000 5.00% convertible unsecured subordinated debentures at a price of $1,000 per debenture for gross proceeds of $40,000,000, less issuance costs of $1,600,000. On February 2, 2022, the Corporation completed the over-allotment option for an additional $3,700,000 aggregate principal of 5.00% convertible unsecured subordinated debentures, less issuance costs of $148,000. The over-allotment option brings the total aggregate principal of such debentures to $43,700,000. The debentures mature on March 31, 2029, and interest is paid semi-annually on the last day of March and September of each year. The debentures are convertible at the option of the holder at any time prior to the maturity date at a conversion price of $17.00. The debentures may not be redeemed by the Corporation prior to March 31, 2025. On or after March 31, 2025, but prior to March 31, 2027, the debentures are redeemable at a price equal to the principal, plus accrued and unpaid 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 5 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, 2027, and prior to the maturity date, the debentures are redeemable at a price equal to the principal amount plus accrued and unpaid 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, on not more than 60 days' and not less than 40 days' prior notice, 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.

Subsequent to year end, the holders of 5.30% convertible unsecured subordinated debentures exercised their option to convert $11,080,000 in principal amount of convertible debentures to shares of the Corporation at $13.95 per share.

On March 7, 2022 the Corporation completed the early redemption and cancellation of its outstanding 5.30% convertible unsecured subordinated debenture which were scheduled to mature on May 31, 2022. The aggregate principal amount outstanding on the redemption day was $9,919,000.

Total Return Since IPO

Firm Capital
MORTGAGE INVESTMENT CORPORATION



An investment in Firm Capital, since its initial public offering, has generated an attractive return for investors. Since the IPO in 1999, a $100 investment in Firm Capital has appreciated to $964 when factoring in full dividend reinvestment over the same period . The compounded annual growth rate or "CAGR" in Firm Capital Mortgage Investment Corporation shares, since 1999 has been in excess of 10.72%

DIVIDEND REINVESTMENT PLAN

Shareholders are reminded that they can participate in the Corporations Dividend Reinvestment Plan and Share Purchase Plan. The plan allows participants to have their monthly dividend reinvested in additional shares.

SHARE PURCHASE PLAN

Once registered with the plan, participants have the right to purchase additional Shares at a 5 day weighted average market price from the Corporation, totaling no greater than $12,000 per year and no less than $250.00 per month. Participating Shareholders pay no commission.

For further information, including answers to frequently asked questions about the program, please refer to our website: www.firmcapital.com. To enroll, please contact your investment advisor or, if you are a registered Shareholder, complete the Authorization Form located on our website and forward to our Transfer Agent, Computershare Trust Company of Canada, at the address noted on the website. You can also contact Investor Relations at the Corporation by calling 416-635-0221, who will assist you in enrolling in the program.

Firm Capital
Mortgage Investment Corporation

CORPORATE DIRECTORY

Board of Directors

Stanley Goldfarb, FCPA, FCA (1)(2)(3)(4)
President
Goldfarb Management Services Limited

Morris Fischtein (1)(2)(3)
President
High City Holdings Limited

Anthony Heller (1)(2)(3)
President
Plazacorp Investments Limited

Larry Shulman, B. Comm., CPA, CA (1)(2)(3)
President
Rabbim Company Finance Inc.

Keith L. Ray, CPA, CA (1)(2)(3)
President
Realvest Management

Geoffrey Bledin (1)(3)
Corporate Director

Eli Dadouch
President
Firm Capital Corporation

Jonathan Mair, CPA, CA
Vice-President, Mortgage Banking and Chief Financial Officer Firm Capital Corporation

Michael Warner
Vice-President, Mortgage Lending and Director, Mortgage Investments Firm Capital Corporation

Victoria Granovski, MFin, CFA
Director, Firm Capital Mortgage Investment Corporation

The Honourable Joe Oliver, P.C(1)(3).
Former Minister of Finance, Minister of Natural Resources and Member of Parliament

The Honourable Francis (Frank) Newbould, Q.C.(1)(3)
Former Justice at the Ontario Superior Court of Justice

Officers & Senior Management

Eli Dadouch
President and
Chief Executive Officer

Jonathan Mair, CPA, CA
Chief Operating Officer, and
Executive Vice President

Michael Warner
Vice-President, Mortgage Lending and Director, Mortgage Investments Firm Capital Corporation

Victoria Granovski, MFin, CFA
Senior Vice President, Credit and Equity Capital

Sandy Poklar, CPA, CA
Executive Vice President and
Managing Director Finance

Ryan Lim, CPA, CA
Chief Financial Officer

Mortgage Banker

Firm Capital Corporation
www.firmcapital.com

Corporation Manager

FC Treasury Management Inc.

Registered Office

Firm Capital Mortgage
Investment Corporation
163 Cartwright Avenue
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Email: investorrelations@firmcapital.com

Auditors

KPMG LLP

Transfer Agent

Computershare Trust Company of Canada

Legal Counsel

Fogler, Rubinoff LLP

Stock Exchange Listing

Shares Listed TSX
Symbol: **FC**

Debentures Listed
TSX Symbol: **FC, FC.DB.E, FC.DB.F, FC.DB.G, FC.DB.H, FC.DB.I, FC.DB.J, FC.DB.K**

Plan Eligibility

RRSP RRIF DPSP TFSA

Shareholder Dividend Reinvestment Plan

Firm Capital Mortgage Investment Corporation is offering Canadian Shareholders of the Corporation, an opportunity to increase their holdings by participating in the Corporation's Shareholder Dividend Reinvestment Plan.
If you are a Shareholder and would like to enroll or would like further information about the Plan, please contact Firm Capital Mortgage Investment Corporation, Attention: Sandy Poklar - Executive Vice President and Managing Director Finance
Telephone
(416) 635-0221

(1) Member of the Investment Committee
(2) Member of the Audit Committee
(3) Independent Directors
(4) Chairman of the Board, Investment Committee and Audit Committee

Where Mortgage Deals Get Done®

Firm Capital

Mortgage Investment Corporation

TAILORED MORTGAGE ENGINEERING BY FIRM CAPITAL

- Bridge Financing - 1st & 2nd Mortgages
- Land & Construction Financing
- Purpose Built Rental Construction
- Infill Construction
- Residential Mortgages
- Mezzanine Equity Capital
- Preferred Equity Capital
- Partnerships for Investment Properties
- Joint Venture Equity Capital

SELECTED TRANSACTIONS - BOUTIQUE MORTGAGE LENDERS®

LAND LOAN
$15,600,000
FIRST MORTGAGE
3.84 acre site draft plan approved for 69 conventional townhouse units and 7 live/work units
MARKHAM, ON

DIP FINANCING
$35,000,000
INTERIM FINANCING
$35 Million Debtor in Possession (DIP) Financing
LAURENTIAN UNIVERSITY, ON

BRIDGE LOAN
A CANADIAN REIT
$44,000,000
SECOND MORTGAGE
71 residential apartment buildings having 1,538 units
ALBERTA / SASK.

INVENTORY LOAN
$7,300,000
FIRST MORTGAGE
23 residential condominium units & 1 commercial unit
MONTREAL, QC

CONSTRUCTION LOAN
$21,475,000
FIRST MORTGAGE
0.9 acre development site to be improved with a six-storey, 129 unit apartment building (Security includes collateral properties)
WELLAND, ON

BRIDGE LOAN
$5,000,000
SECOND MORTGAGE
135 unit newly constructed residential apartment building
POINTE CLAIRE, QC

BRIDGE LOAN
PURCHASE/VALUE ADD
$70,000,000
FIRST MORTGAGE
43.73 acre property improved with an enclosed shopping mall and stand alone pads
HAMILTON, ON - EASTGATE MALL

ACQUISITION LOAN
$9,000,000
FIRST MORTGAGE
126 unit residential apartment building
SAULT STE. MARIE, ON

50% JOINT VENTURE PARTNER
$6,350,000
Subordinated Debt: $4,750,000
Firm Capital Equity: $1,600,000
26 detached residential lots
KLEINBERG, ON

LAND LOAN
$38,000,000
FIRST MORTGAGE
Multi-phased development site
NIAGARA FALLS, ON

CONSTRUCTION LOAN
$4,150,000
SECOND MORTGAGE
Luxury custom home on a corner lot comprising 6,192 sq. ft. above grade
FOREST HILL, TORONTO, ON

ACQUISITION LOAN
$8,000,000
FIRST MORTGAGE
72,100 sq. ft. industrial building located on a 3.77 acre parcel of land
TORONTO, ON

RELATIONSHIP DRIVEN • EXECUTION FOCUSED

BUILDING RELATIONSHIPS FOR OVER **30 YEARS**

Firm Capital Corporation

FOR MORE INFORMATION, PLEASE CONTACT:

Firm Capital
(416) 635-0221
www.FirmCapital.com

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