



Dated: February 28, 2020

The Issuer

Name: **FIRST ISLAND MORTGAGE INVESTMENT CORPORATION – SERIES IV LTD. (the “Company” or “we”)**

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Currently listed or quoted? **No. These securities do not trade on any exchange or market.**
Reporting issuer? No.
SEDAR filer? No.

The Offering

Securities offered: 10,000,000 Class “A” Redeemable Preferred Shares with a par value of \$1.00 per share (the “A Preferred Shares”)

Price per security: \$1.00 per A Preferred Share

Minimum/Maximum Offering: \$0 / \$10,000,000 A Preferred Shares.
There is no minimum offering amount.

Minimum subscription amount: \$15,000

Payment terms: The full subscription price will be payable by cheque, certified cheque or bank draft on closing.

Proposed closing date: Closing dates will be determined from time to time by the Company, as subscriptions are received.

Income tax consequences: There are important tax consequences to these securities.
See ITEM 6 – Income Tax Consequences and RRSP Eligibility.

Selling agent: Yes. The Company will sell the “A” Preferred Shares through First Island Mortgage Investments Ltd. (the “Dealer”), an exempt market dealer registered in British Columbia. See ITEM 7 – Compensation Paid to Sellers and Finders and ITEM 8 – Risk Factors – Conflicts of Interest.

Management services: provided by the Manager, First Island Financial Services Ltd.

Resale Restrictions

You will be restricted from selling your securities for an indefinite period. See ITEM 10 – Resale Restrictions.

Purchaser's Rights

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See ITEM 11 – Purchasers’ Rights.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See ITEM 8 – Risk Factors.

The Company is a “connected issuer” and a “related issuer” of the Dealer, as such terms are defined in National Instrument 33-105 – Underwriting Conflicts (“NI 33-105”). The Company has determined that it is a connected issuer and a related issuer of the Dealer by virtue of the Dealer’s role as an exempt market dealer engaged to sell the Class “A” Preferred Shares offered hereby and based on the fact that the Company and the Dealer have common securityholders, directors and officers. See ITEM 8 – Risk Factors – Conflicts of Interest

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains certain statements or disclosures that may constitute forward-looking information under applicable securities laws. Forward-looking information may be identified by the use of words like "believes", "intends", "expects", "may", "will", "should", or "anticipates", or the negative equivalents of those words or comparable terminology, and by discussions of strategies that involve risks and uncertainties. In particular and without limitation, this Offering Memorandum contains forward-looking information pertaining to the following:

- the nature of the Company's business plans and estimated timing and costs thereof, and its affairs following completion of the offering of A Preferred Shares offered hereby;
- the Company's business strategy and plans, including the Company's investment strategy and business objectives;
- the Company's use of proceeds from the offering of A Preferred Shares offered hereby;
- the anticipated payment of dividends as and when declared by the Directors (as defined below) of the Company, and participation in the DRIP (as defined below);
- the ability to retract or redeem A Preferred Shares from time to time in accordance with the articles of the Company and applicable law and the expectations with respect to distributions to shareholders on the liquidation, winding up or dissolution of the Company;
- the subscription procedure, the estimated timing of closings and the estimated costs payable on closings;
- the Company's intentions and expectations regarding its mortgage portfolio;
- the Company's intentions with respect to the conversion of the A Preferred Shares;
- the risks relating to activities of the Company, management of the Company and investments in the shares of the Company;
- the Company's intentions and expectations, including in relation to interest rates and fees, and covenants and obligations, with respect to its material agreements, including the Management Agreement (as defined below) and the Dealer Services Agreement;
- the nature of the Company's reporting obligations; and
- the investments of the Company meeting the criteria for MICs (as defined below) under the Tax Act (as defined below) and qualifying for and receiving special tax treatment.

All forward-looking information is based on the Company's current beliefs as well as assumptions made by and information currently available to the Company, and such assumptions about future events may prove to be incorrect.

The risks and uncertainties of the Company's business, including those discussed under ITEM 8 – Risk Factors, could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed. See risk factors as set out in this Offering Memorandum under Item 8 – Risk Factors for certain risk factors that could cause actual results to differ from those that are anticipated in such forward-looking information. Readers are cautioned that the list of risk factors contained in ITEM 8 – Risk Factors is not exhaustive. New risk factors emerge from time to time, and it is not possible for the Company to predict all of these factors or to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information.

In light of these risks, uncertainties and assumptions, prospective investors should not place undue reliance on forward-looking information and should be aware that events described in the forward-looking information set out in this Offering Memorandum may not occur. The Company cannot assure prospective investors that its future results, levels of activity and achievements will occur as the Company expects, and neither the Company nor any other person assumes responsibility for the accuracy and completeness of the forward-looking information Except as required by law, the Company assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

ITEM 1 USE OF AVAILABLE FUNDS**1.1 Funds**

There is no minimum offering. The net proceeds of this offering and the funds which will be available to us under this offering are as follows:

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by this Offering	\$0	\$10,000,000
B	Selling commissions and fees	\$0	\$100,000 ⁽¹⁾
C	Estimated offering costs (legal, accounting, audit, etc.)	\$0 ⁽²⁾	\$0 ⁽²⁾
D	Available funds: D = A – (B+C)	\$0	\$9,900,000
E	Additional sources of funding required	\$0	\$0
F	Working capital deficiency	\$0	\$0
G	Total: G = (D+E) – F	\$0	\$9,900,000

(1) Neither the Company nor the Manager have retained, and neither intends to retain, an agent (other than the Dealer) for this offering. This figure illustrates that should the Company, on the advice of the Manager, choose to pay referral fees, the Company estimates they would not exceed 1% of the maximum offering. No commissions are paid to the Dealer on the sale of A Preferred Shares.

The Company intends to sell the A Preferred Shares through the Dealer, which is an exempt market dealer registered in British Columbia. The Dealer will be paid by the Manager an annual administration fee, as described under ITEM 7 – Compensation Paid to Sellers and Finders.

(2) The Manager is responsible to pay all costs listed under Table item C. See ITEM 2, Paragraph 2.7, Management Agreement.

1.2 Use of Available Funds

We will use the available funds (the amount available will increase to the extent that no selling commissions or fees are paid as set out in Table item B, Paragraph 1.1) as follows:

Description of intended use of available funds listed in order of priority	Assuming min. offering	Assuming max. offering
Investments permitted of the Company as a Mortgage Investment Corporation under the <i>Income Tax Act (Canada)</i>	\$0	\$9,900,000
Total: Equal to G in the Funds table above	\$0	\$9,900,000

1.3 Reallocation

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

ITEM 2 BUSINESS OF THE COMPANY**2.1 Structure**

On April 4, 2001, the Company was incorporated in British Columbia as a non-reporting company under the *Company Act* (British Columbia) and is currently governed under the *Business Corporations Act* (British Columbia). We are registered as a Mortgage Broker under the *Mortgage Brokers Act* (British Columbia). See ITEM 8.2(h) – Risks Associated with Mortgage Loans.

2.2 Our Business**(a) Overview**

Since April 12, 2001, and based on information available to the Company, we have carried on the business of a mortgage investment corporation (a "MIC") under the *Income Tax Act (Canada)* (the "Tax Act"). We invest alone or with other lenders in a portfolio of mortgages registered as first financial charges and granted as security for loans

("First Mortgages") to builders, developers or owners of commercial, industrial, residential or other real estate located generally in urban or suburban centres in Alberta and British Columbia. The Company only invests in registered First Mortgages underwritten by its Manager up to a maximum of 75% loan to value. Repayment of these First Mortgages is usually from the end sale of the development project, constructed units or land parcels, or from refinancing by the borrower. If and whenever our Board of Directors considers that it would be appropriate and in the interests of the Company to do so, then we will expand our operations to other provinces in Canada. We do not invest in mortgages against real property located outside Canada.

Our income comes primarily from interest charged on the First Mortgages along with commitment, standby, and renewal fees and other fees and bonuses for providing First Mortgage financing. The interest budget required is often included in the overall underwriting of the total committed loan subject to a maximum of 75% loan to value.

In order to maintain our status as a MIC, we intend to continue to pay out all net income and net realized capital gains as dividends within the periods required under the Tax Act. See ITEM 6 – Income Tax Consequences and RRSP Eligibility.

As at February 28, 2020, we have a total invested of \$46,705,567.49 in Royal Bank of Canada Deposit Accounts and in 30 First Mortgages at interest rates varying between 4.50% and 9.25%. Of the 30 First Mortgages, 25 are for residential-only properties, 3 are for mixed-use development (mostly residential with some office/commercial space) and 2 are for commercial only purposes.

Please see our website www.firstisland.com for a current listing of the net interest rates (annualized) paid quarterly to investors in the MIC.

(b) Investment Practices and Restrictions

Responsibility for the Company's investment policies and decisions rests with the Company's Board of Directors. Subject to direction from our Board of Directors, the investment portfolio will change from time to time following advice based on the Manager's assessment of overall market conditions and outlook.

We manage our investments to provide a mixture of First Mortgages that secure commercial, industrial and residential construction financing and land development loans together with term First Mortgages for acquisition or refinancing of income-producing real property. A minimum of 50% of our investments are in residential First Mortgages or deposits ("Deposits") with a bank or other corporation whose deposits are insured by the Canada Deposit Insurance Corporation ("CDIC"). We also invest in demand and term loans secured by income-producing real property. A First Mortgage may not meet the customary financing criteria of institutional lenders; as a result, the First Mortgages are expected to earn a higher rate of return than those generally attained by institutional lenders.

Sometimes we may hold only part of a First Mortgage loan; the balance may be held by other lenders. By limiting our participation in large individual First Mortgages, we obtain the benefits of increased portfolio diversification. This also allows us to participate in the financing of larger real estate projects than our assets and investment guidelines would otherwise permit.

Based on information available to the Company, our investment guidelines are consistent with our position as a MIC under the Tax Act, the constituting documents of the Company and with the other laws that apply to the Company. Subject to periodic review and direction by our Board of Directors to deal with changing circumstances, our investment activities will conform to the following practices:

- (a) We will only invest our funds in conformity with our status as a MIC;
- (b) We will invest only in First Mortgages of commercial, industrial and residential real properties offered to us by the Manager;
- (c) All of our mortgages will be registered as a first financial charge against the title of subject real property in the appropriate land title or land registry office in the name of the Company or in trust in the name of the Manager or its affiliates or a nominee bare trustee for the Company as to its interest and any other interested lenders. Where applicable the Manager will also further protect the first mortgage by securing additional security via collateral charges on land titles over secondary security owned by the borrower/developer;
- (d) We will not borrow funds to invest. We will attempt to ensure our investor funds are from reputable individuals. We only accept investments by way of cheques or bank drafts from known Canadian financial institutions. We do not accept cash investments or bank transfers or wire transfers;
- (e) We will attempt to maintain at least 50% of our assets invested in First Mortgages charging residential real estate or in Deposits;
- (f) We will invest no more than 50% of our assets in First Mortgages charging commercial and industrial real estate;
- (g) We will only invest in First Mortgages on real property for which the Manager will have received, reviewed and evaluated an independent appraisal and generally for which we have received a satisfactory environmental assessment. An appraisal and assessment must be carried out by someone who is in the judgment of our Board of Directors qualified to do the appraisal or assessment, as the case may be;
- (h) We will not invest in a First Mortgage or lend any funds to be secured by a First Mortgage unless at the

- date that the First Mortgage is acquired or our funds are initially advanced the indebtedness secured by the First Mortgage generally does not exceed 75% of the appraised value of the real property securing the First Mortgage. The value may be based on stated conditions including, without limitation, completion, rehabilitation or lease-up of improvements located on the real property where those activities are monitored on our behalf by the Manager;
- (i) If the independent appraisal reports an appraised value for the real property that is dependent upon further action by the borrower, then we will advance funds by way of progress payments as recommended by the Manager;
 - (j) We will not lend money to, borrow money from or invest in securities of the Manager or any of its affiliates or other non-arm's length parties, other than in investments in First Mortgages underwritten by the Manager under the Management Agreement. We do not make loans to anyone (an "Annuitant") who is an annuitant, beneficiary or employer under a registered retirement savings plan, deferred profit sharing plan or registered retired income fund as defined under the Tax Act which is a shareholder of the Company, or to any other person who is a relative of or otherwise does not deal at arm's length with the Annuitant, or to anyone else who would cause shares of the Company not to be a qualified investment under Regulation 4900(1)(c) of the Tax Act; and
 - (k) We may also invest any funds not invested in First Mortgages in government treasury bills, or in the bonds, securities, notes, deposits or deposit instruments of any Canadian government, government agency or government corporation, or in deposits or deposit instruments of Canadian chartered banks, credit unions, registered investment dealers or other CDIC insured financial institutions, or in other investments as may be approved by the Company's Board of Directors (collectively, "Authorized Interim Investments").

(c) Investment Management, Portfolio Administration and Dealer Services

Under an agreement dated April 15, 2001 between the Company and the Manager (the "Management Agreement"), the Company has engaged the Manager to act as the general manager of the Company, to provide premises and administrative support for activities of the Company and to carry out the investment objectives and goals of the Company. The Management Agreement is discussed more fully under ITEM 2, Paragraph 2.7 – Management Agreement.

On February 15, 2019, the British Columbia Securities Commission permanently rescinded BC Instrument 32-517 – *Exemption from Dealer Registration Requirement for Trades in Securities of Mortgage Investment Entities*, which allowed for a dealer registration exemption for mortgage investment entities, like the Company. As a result, the Company was required to retain a registered dealer in order to sell its securities to investors. The Company and the Manager entered into the Dealer Services Agreement (as defined below) with the Dealer on February 14, 2020 pursuant to which the Manager and the Company engaged the Dealer to act as the sole sales agent to distribute the A Preferred Shares. The Dealer is a registered exempt market dealer in the province of British Columbia. See ITEM 2, Paragraph 2.7 – Material Agreements – Dealer Services Agreement.

The Company does not actively seek or originate First Mortgages for investment. We rely exclusively on the expertise of the Manager to analyze and present to the Company recommended investment opportunities that the Manager considers suitable and consistent with the Company's investment policies. The Manager is also responsible for carrying out all the investment transactions of the Company, supervising the investment and Mortgage portfolios of the Company and providing general managerial services for the day-to-day administration of the Company. The Manager also provides office space and administrative support to the Company. As a result, the Company does not have any employees.

Under the Management Agreement, the Manager also provides day-to-day administration and management of the Company's investment portfolio. The Manager reviews requests for mortgage draws and ensures that all loan requirements have been met or reviewed prior to any advance of funds. The funds of the Company handled by the Manager are segregated and held in trust from the Manager's own funds and any other funds handled by the Manager.

2.3 Development of the Business

We intend on increasing our business by following, and incrementally improving, the practices that we have followed since commencing business on April 12, 2001. Since that date, over \$641,607,200 in total loan commitments have been made directly and via co-lender partners. We will continue to lend primarily in Alberta and British Columbia although we will consider lending elsewhere in Canada as our capital permits and circumstances warrant and if our investment guidelines will be met.

Based on the advice of the Manager, the Company intends to invest the net proceeds of this offering in First Mortgages as quickly as is commercially reasonable in the circumstances. However, each investment will depend upon a number of factors, including the availability of suitable investments and market conditions. Until the Company makes an investment in First Mortgages, cash on hand will be invested only in Authorized Interim Investments. After each closing (a "Closing") of a subscription for A Preferred Shares, the Manager may on behalf of the Company establish one or more interest-bearing accounts to hold cash of the Company until it is invested in First Mortgages.

A key consideration for investors is the consistent cash flow of earnings. The Company makes quarterly distributions

of interest income to its investors from the majority of the net loan interest generated on the First Mortgage investments. Gross mortgage interest is charged and collected monthly by the Manager and reinvested until paid out quarterly to the Company for distribution to its investors. Many of the mortgages in the following table have interest rates that are subject to the higher of a face rate or Royal Bank of Canada prime rate (the "RBC Prime Rate"), such the rate charged increases when the RBC Prime Rate rises. A majority of the development loans also have an interest reserve built into the project budget. This interest reserve is funded to a trust account maintained by the Manager for the term of the loan and thereby controls the payment of monthly interest due.

First Island Mortgage Investment Corporation - Series IV Ltd.

Mortgage Portfolio Schedule

As at February 28, 2020

Project Under Mortgage	Location	Priority Ranking	Loan Rate %*	Monthly Pymt Terms**	Due Date***	Balance \$	Project LTV %
Residential	North Saanich, BC	1st	8.50%	Interest Only	1-Mar-2020	635,175.00	75%
Residential	Sidney, BC	1st	8.00%	Interest Only	31-Mar-2020	2,048,000.00	74%
Residential	Fort St. John, BC	1st	9.00%	Interest Only	1-Aug-2020	279,287.34	22%
Residential	Anmore, BC	1st	9.25%	Interest Only	9-Jul-2020	2,450,000.00	44%
Residential	North Saanich, BC	1st	8.45%	Interest Only	1-Aug-2020	882,577.71	75%
Residential	Nanaimo, BC	1st	8.60%	Interest Only	15-Apr-2020	465,000.00	28%
Residential	Grande Prairie, AB	1st	8.25%	Interest Only	15-Jun-2020	1,041,507.69	58%
Residential	Squamish, BC	1st	8.65%	Interest Only	31-Jul-2020	850,000.00	43%
Residential	Sidney, BC	1st	8.50%	Interest Only	25-Oct-2020	788,250.00	65%
Residential	Surrey, BC	1st	8.35%	Interest Only	30-Nov-2020	2,500,000.00	46%
Residential	Sturgeon County, AB	1st	4.50%	Interest Only	31-Oct-2021	818,181.75	63%
Mixed-Use: Office & Residential	Victoria, BC	1st	8.50%	Interest Only	30-Apr-2020	465,434.75	65%
Residential	North Vancouver, BC	1st	8.40%	Interest Only	31-Aug-2020	2,840,000.00	53%
Residential	West Vancouver, BC	1st	8.50%	Interest Only	8-Mar-2020	2,435,631.58	58%
Residential	Victoria, BC	1st	8.60%	Interest Only	30-Apr-2020	390,000.00	75%
Residential	Langford, BC	1st	8.25%	Interest Only	31-Aug-2020	2,695,689.00	65%
Residential	Nanaimo, BC	1st	8.95%	Interest Only	12-Jul-2020	2,000,000.00	75%
Residential	Victoria, BC	1st	8.00%	Interest Only	17-Jan-2021	2,495,593.81	67%
Commercial: CRU	Sidney, BC	1st	7.85%	Interest Only	30-Jul-2020	300,000.00	38%
Residential	Nanaimo, BC	1st	8.25%	Interest Only	15-Sep-2020	342,536.00	75%
Residential	White Rock, BC	1st	8.25%	Interest Only	1-May-2020	1,200,000.00	58%
Residential	Langford, BC	1st	8.00%	Interest Only	16-Sep-2020	200,000.00	39%
Residential	Saanichton, BC	1st	8.00%	Interest Only	30-Sep-2020	2,750,000.00	41%
Mixed-Use: CRU & Residential	Victoria, BC	1st	7.85%	Interest Only	15-Oct-2020	925,000.00	65%
Residential	Langley, BC	1st	8.00%	Interest Only	1-Nov-2020	1,200,000.00	44%
Mixed-Use: CRU & Residential	Victoria, BC	1st	8.00%	Interest Only	12-Nov-2020	1,360,000.00	68%

Residential	Victoria, BC	1st	7.95%	Interest Only	20-Dec-2020	740,000.00	71%
Residential	North Saanich, BC	1st	8.65%	Interest Only	10-Nov-2020	1,635,000.00	55%
Commercial: Hotel	Squamish, BC	1st	8.00%	Interest Only	9-Jul-2021	3,300,000.00	36%
Residential	North Saanich, BC	1st	7.85%	Interest Only	21-Feb-2021	632,900.00	68%
TOTAL							<u>40,665,764.63</u>
AVERAGE							57%

* Some loan interest rates subject to RBC Prime Rate increases or other period rate terms

** Many loans have an interest reserve component in the project budget

*** Subject to extension agreement, if applicable

2.4 Long Term Objectives

Our long-term objectives are:

- by investing in First Mortgages, to provide sustainable income to the holders of our A Preferred Shares that is superior to term deposits, GICs and money market funds while giving due consideration to the preservation of our capital for distribution or re-investment;
- to maintain our status as a MIC under the Tax Act;
- to carry on lending activities throughout Canada but primarily in Alberta and British Columbia; and
- to increase our share of the potential MIC business in Western Canada.

2.5 Short Term Objectives and How We Intend to Achieve Them

What we must do and how we will do it:	Target completion date:	Our cost to complete:
We intend to invest and reinvest our capital, to raise additional capital under this offering and to invest our available capital under our investment program.	As we have an ongoing lending program, there is no target completion date for our business plan. We will make loans as our available funds and market circumstances permit.	N/A (included in fee paid to Manager)

2.6 Insufficient Funds

Not applicable; our ongoing lending program takes into consideration expected mortgage cash flows.

2.7 Material Agreements

The following summarizes the material agreements to which we are currently a party and any material agreements with a related party:

Management Agreement

The Company and the Manager entered into the Management Agreement on April 15, 2001. There is no set term under the Management Agreement. The Management Agreement may be terminated on 12 months' prior notice by either party; by mutual agreement or by either party in the event of the insolvency or bankruptcy of the other party.

The Manager was incorporated under the *Company Act* (British Columbia) in 1973 and is currently governed by the *Business Corporations Act* (British Columbia). The Manager is a mortgage investment and management company with its principal office in Victoria, British Columbia. The Manager is registered as a Mortgage Broker under the *Mortgage Brokers Act* (British Columbia). The Manager has provided mortgage investment opportunities for over 700 investor clients; since 1989 the Manager has administered over \$500 million in First Mortgage investments while managing an average mortgage portfolio in the \$15-46 million range. During its 2019 fiscal year, the Manager oversaw the distribution of over \$2,341,759 of mortgage interest income to investors. Since April 2001, the Manager has administered distributions of over \$30 million of mortgage interest income to its clients.

Under the Management Agreement and in addition to the investment management services of the Manager described in ITEM 2 – Business of the Company, the Manager organizes the Company's business operations, provides ongoing

supervisory management services, provides office administration, facilities and equipment, retains the necessary professional advice, makes regulatory filings, reviews all organizational documentation, and facilitates the introduction to the Company of potential sources of investment capital through the Dealer, an exempt market dealer registered in British Columbia and a wholly owned subsidiary within the First Island group. The Manager also reviews, evaluates and makes recommendations concerning the Company's policies and procedures, administration, accounting, legal and other professional representation, investment criteria and the like. At the request of the Company, the Manager will implement decisions of the Company's directors (the "Directors") and officers.

As compensation for the services provided under the Management Agreement, the Company pays to the Manager a monthly fee (the "Administration Fee") of up to 3.75% per year of the active mortgage principal under administration by the Manager, calculated on a monthly basis. The Administration Fee is paid from the interest payments received under the Company's mortgage portfolio. As reported on the Audited Financial Statements attached hereto, the annual total Administration Fees for the Company's 2019 fiscal year were \$1,163,407, which represented 2.85% of the active mortgage principal under administration by the Manager, out of the maximum 3.75% in permitted fees under the terms of the Management Agreement (2018 - \$1,036,764; 2.53%). The amount of Administration Fees to be incurred for the fiscal year 2020 is expected to approximate the prior year 2019.

From the Administration Fee, the Manager pays, on behalf of the Company, all expenses related to origination, administration and investor reporting and the day to day expenses of the Company, including, without limitation, any costs to acquire a mortgage, appraisal fees, commission and brokerage fees, taxes of all kinds to which the Company is subject, auditors' fees, legal fees, the cost of submitting financial reports and providing other information to shareholders and regulators, messenger services, photocopying, land title searches, credit bureau reports, printing costs, survey certificates, postage, telephone charges, accounting fees, fees relating to advertising and promotions, insurance premiums, rent for office space and expenses of the Company's directors, officers and employees.

Under the Management Agreement, the Company is responsible for the costs, including legal fees and disbursements, of collecting or attempting to collect any amounts owing or in arrears on any First Mortgage, including foreclosure and other court proceedings.

Since all of the Directors and officers of the Company are also directors or officers of the Manager or its parent, and the parent of the Manager is indirectly controlled by two of the Directors and officers of the Company, the Manager is considered to be a related party to the Company.

Dealer Services & Cost Sharing Agreement

The Company entered into a Dealer Services & Cost Sharing Agreement dated for reference February 14, 2020 by and among the Manager, the Company and the Dealer (the "Dealer Services Agreement"). The Company is a "connected issuer" and a "related issuer" of the Dealer, as such terms are defined in NI 33-105. The Company has determined that it is a connected issuer and a related issuer of the Dealer by virtue of the Dealer's role as an exempt market dealer engaged to sell the A Preferred Shares offered hereby and based on the fact that the Company and the Dealer have common securityholders, directors and officers. The Dealer is a wholly owned and controlled subsidiary in the First Island group of companies. In addition, the Dealer is considered a "captive dealer" as defined by CSA Staff Notice 31-343 – *Conflicts of Interest in Distributing Securities of Related or Connected Issuers* ("CSA Staff Notice 31-343") because it solely or primarily distributes securities of related or connected issuers. See ITEM 8 – Risk Factors – Conflicts of Interest.

Under the Dealer Services Agreement, the Dealer will use its commercially reasonable efforts to sell the A Preferred Shares on a continuous, private placement basis to qualified purchasers in British Columbia.

For the Dealer's services, the Dealer will receive from the Manager an annual Dealer Services Fee, as more particularly described in ITEM 7 – Compensation Paid to Sellers and Finders. Additionally, the Manager will, at its own cost, allocate a portion of its offices for use by the Dealer, and provide the Dealer with telephone, internet and facsimile services, mail service, including postage, and messenger services at its offices.

The Dealer Services Agreement may be terminated: (a) by the written agreement of the parties; (b) by the Dealer immediately upon written notice to the Manager or the Company in the event the Manager or the Company is in breach of, default under or non-compliance with any material covenant, representation, warranty, term or condition of the Dealer Services Agreement; and (c) by the Manager and the Company collectively, (i) immediately upon written notice to the Dealer in the event the Dealer is in breach of, default under or non-compliance with any material covenant, representation, warranty, term or condition of the Dealer Services Agreement, or (ii) with 30 days' prior written notice by either the Company or the Manager to the Dealer. Additionally, the Dealer Services Agreement will terminate immediately in the event the Dealer is prohibited from selling or distributing securities in British Columbia as a result of it having allegedly or actually failed to comply with applicable securities laws.

Since all of the Directors and officers of the Company are also directors or officers of the Dealer or its parent, and the parent of the Dealer is indirectly controlled by two of the Directors and officers of the Company, the Dealer is considered to be a related party to the Company.

Loan Agreements

The Company's investment portfolio complies with the investment guidelines discussed above. We report on the total amount of the investment portfolio from time to time in our financial statements.

ITEM 3 INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS**3.1 Compensation and Securities Held**

The following table sets out information about each director, officer and promoter of the Company and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the Company (a "principal holder").

Name and municipality of principal residence	Positions held (e.g. director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the issuer in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of min. offering	Number, type and percentage of securities of the issuer held after completion of max. offering
Darrell Morgan Victoria, BC	Director & President	NIL 757,387 A Preferred Shares, 1.622%	1 Common Share, 9.09% 757,387 A Preferred Shares, 1.336%	1 Common Share, 9.09%
Philippe Wooster Sidney, BC	Director & Secretary	NIL 100,000 A Preferred Shares, 0.214%	1 Common Share, 9.09% 100,000 A Preferred Shares, 0.176%	1 Common Share, 9.09%
Kirsten Ralph Victoria, BC	Director	NIL 59,258 A Preferred Shares, 0.127%	1 Common Share, 9.09% 59,258 A Preferred Shares, 0.105%	1 Common Share, 9.09%

See ITEM 2.7 - Material Agreements: Management Agreement for a description of the compensation paid to the Management entity of the MIC for its management operations. No commissions are paid on the sale of A Preferred Shares.

3.2 Management Experience

The following table discloses the principal occupations of our directors and senior officers over the past five years.

Name	Principal occupations and related experience
Darrell Morgan	President, CEO, CFO, Director and Shareholder of the Company, the Manager and the Dealer. He is a Chartered Professional Accountant, CGA and Chief Compliance Officer and Ultimate Designated Person of the Dealer. Mr. Morgan is a member of the Manager's Credit Committee.
Philippe Wooster	Secretary, Director and Shareholder of the Company, the Manager and the Dealer. He is licensed as a Mortgage Broker in British Columbia. Mr. Wooster is a long-term member of the Real Estate Institute of British Columbia.
Kirsten Ralph	Director of the Company, the Manager and the Dealer. She is a Chartered Professional Accountant. Ms. Ralph is a member of the Manager's Credit Committee.
Marc Glesby	Member of the Manager's Credit Committee. Mr. Glesby has extensive experience in real estate financing and construction from his many years of managing a private investment company. He holds an MBA from McGill University.
Mark W. L. Lindholm	Former Director of the Company and the Manager. Former practicing lawyer who has dealt in the areas of land development, project financing, leasing and property management. Mr. Lindholm has an extensive private portfolio of real estate properties including the West Bay Marine Village in Victoria, B.C. He is a member of the Manager's Credit Committee.

3.3 Penalties, Sanctions and Bankruptcy

There has been no penalty or sanction that has been in effect, or a cease trade order that has been in effect for more than 30 consecutive days, during the last 10 years against a director, senior officer or control person of the Company or an issuer of which a person or the Company was a director, senior officer or control person at the time. There has been no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any director, senior officer or control person of the Company or issuer of which a person or the Company was a director, senior officer or control person at that time.

3.4 Loans

Not applicable; the Company does not loan funds to related individuals or companies.

ITEM 4 CAPITAL STRUCTURE**4.1 Share Capital**

The following table summarizes information about our outstanding securities.

Description of security	Number authorized to be issued	Number outstanding as at Feb. 28, 2020	Number outstanding after min. offering	Number outstanding after max. offering
Common Shares ⁽¹⁾	100	11	11	11
Class "A" Preferred Shares ⁽²⁾⁽³⁾	200,000,000	46,705,567	46,705,567	56,705,567
Class "B" Preferred Shares ⁽⁴⁾	2,000,000	0	0	0

Notes:

- (1) The 11 issued Common Shares are owned by 11 non-related individuals.
- (2) The issued A Preferred Shares are owned by some 500 Preferred Shareholder accounts. Each A Preferred Share was issued by the Company at a price of \$1.00 per A Preferred Share.
- (3) If the maximum number of A Preferred Shares are issued under this offering and assuming that there will be no redemptions by the holders of any outstanding A Preferred Shares in accordance with the rights and restrictions attached to the A Preferred Shares.
- (4) The Company does not intend to issue B Preferred Shares.

4.2 Long Term Debt

Not applicable; the Company does not have any long-term debt.

4.3 Prior Sales

Under the Offering Memorandum of the Company dated February 28, 2019, the Company issued its A Preferred Shares on a continuous basis during the past 12 months as follows:

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
From March 1, 2019 to February 28, 2020	A Preferred Shares	5,524,219	\$1.00	\$5,524,219

4.4 Prior Redemptions

During the last 2 fiscal years, the following securities were redeemed as requested by investors:

Fiscal Year November 1, 2018 to October 31, 2019: \$4,429,520

Fiscal Year November 1, 2017 to October 31, 2018: \$4,677,599

During the current fiscal year to date, the following securities were redeemed as requested by investors:

Fiscal Year November 1, 2019 to February 28, 2020: \$982,073

ITEM 5 SECURITIES OFFERED**5.1 Terms of Securities**

We are offering 10,000,000 A Preferred Shares, which have a par value of \$1.00 per share.

The A Preferred Shares have the following material terms attached to them:

(a) Voting Rights

Although the holders of Preferred Shares are generally not entitled to vote at general meetings of the Company, they are entitled to attend in person or by proxy and to speak at those meetings.

(b) Dividends

The holder of an A Preferred Share is entitled to receive quarterly, or as determined by the Directors of the Company, rateably according to the amount paid up on the A Preferred Share, a proportion of all of the profits of the Company determined in accordance with generally accepted accounting principles to be available for distribution as dividends. We intend to continue with this policy and to pay the dividends on "dividend payment dates" (which generally fall on the first day of February, May, August and November after the quarter end dates of January 30th, April 30th, July 31st and October 31st). Any capital gains realized by the Company on its investments will be distributed at the discretion of the Board of Directors. We will not distribute income or assets that would jeopardize or impair our ability to meet the Company's financial commitments or requirements. Where a shareholder holds an A Preferred Share for less than a full 3-month period, the dividend payment is prorated according to the time that the person held the A Preferred Shares.

In accordance with the Company's Dividend Reinvestment Plan (the "DRIP") and subject to compliance with the applicable securities laws, investors may elect to receive their dividends in cash or to reinvest their dividends in the purchase of additional A Preferred Shares at a price of \$1.00 per A Preferred Share. Investors may change their election from time to time by written notice to the Company not less than 7 days prior to a "dividend record date" (which generally occurs quarterly on the last day of January, April, July and October). See ITEM 5, Paragraph 5.1 (g) – Terms of Securities – Dividend Reinvestment Plan.

(c) Limited Redemption Rights

Subject to applicable laws, the Company may redeem all or any part of the A Preferred Shares outstanding either by invitation for tenders addressed to all of the holders of the A Preferred Shares or by private contract at the lowest price that the Directors resolve that the Company may obtain the A Preferred Shares. If, in response, the Company receives more tenders for redemption of A Preferred Shares than the Company is prepared to accept, then the Company will purchase on a *pro rata* basis such number of A Preferred Shares as nearly as may be, as determined by the Company, to the number of tenders received.

(d) Limited Retraction Rights

Subject to applicable laws, holders of A Preferred Shares held for more than 18 months may request the Company to redeem the A Preferred Shares by delivering 90 days' advance written notice to the Company setting out the number of Preferred Shares to be redeemed (the "Retraction Notice"). Subject to the maximum retraction restriction discussed below and available cash flow, the Company may redeem the Preferred Shares set out in the Retraction Notice at a future date at a price (the "Redemption Price") equal to the book value of the A Preferred Share.

The book value of an A Preferred Share equals the quotient obtained by dividing:

- (a) the par value of the A Preferred Share multiplied by the number of A Preferred Shares issued and outstanding less the product obtained by multiplying any deficit of the Company by the quotient obtained by dividing;

(1) the par value of the A Preferred Shares multiplied by the number of A Preferred Shares issued and outstanding

by

(2) the par value of the A Preferred Shares multiplied by the number of A Preferred Shares outstanding plus the par value of any B Preferred Shares issued multiplied by the number of any B Preferred Shares issued and outstanding

by

- (b) the number of A Preferred Shares issued and outstanding.

The Company is not required to redeem more than 25% of the issued and outstanding shares of any class in any one fiscal year. The Company is not required to redeem on a *pro rata* basis any A Preferred Shares that are subject to a Retraction Notice. The Company can give no guarantee that any investor will be able to retract any or all of the investor's shares at any one time. Retraction and redemption of A Preferred Shares is subject to the Company having sufficient cash resources or liquid assets available to fulfill its near-term mortgage funding commitments.

(e) Conversion Rights

The A Preferred Shares are exchangeable for B Preferred Shares on the basis of 10 A Preferred Shares for one B Preferred Share in certain circumstances in accordance with the Company's constating documents. The Company and the Manager do not intend to issue B Preferred Shares or convert any A Preferred Shares to B Preferred Shares at this time.

(f) Priority on Liquidation / Dissolution

In the event of the liquidation, dissolution or winding-up of the Company or other distribution of the Company's assets among its shareholders, the Company will distribute its assets as follows:

- (1) first, to the holders of the Preferred Shares on a *pro rata* basis, an amount equal to the book value of the Preferred Shares held by them;
- (2) second, subject to the prior rights of the holders of the Preferred Shares, to the holders of the Common Shares on a *pro rata* basis, an amount equal to the book value of the Common Shares determined by dividing the paid up capital of the Common Shares by the number of issued and outstanding Common Shares; and
- (3) third, subject to the prior rights of the holders of the Preferred Shares and Common Shares, to the holders of the Common Shares and Preferred Shares, on a *pro rata* basis, the balance of the assets of the Company.

(g) Dividend Reinvestment Plan ("DRIP")

The Company has adopted a DRIP under which holders of A Preferred Shares may elect to reinvest cash dividends received from such shares to purchase additional A Preferred Shares ("Dividend Shares") at a price of \$1.00 per share. All registered holders of A Preferred Shares are eligible to become participants of the DRIP by making a selection under the subscription agreement completed at the time of their initial subscription for A Preferred Shares or by written notice made to the Company at least 7 business days before a "dividend record date" (which generally occurs quarterly on or about the last day of January, April, July and October).

The declaration of dividends is subject to approval by the Company's Directors. At each "dividend payment date" (which generally falls quarterly on the first day of February, May, August and November), a participating holder of A Preferred Shares will be credited with the number of A Preferred Shares equal to the cash dividend payment divided by a price of \$1.00 per share. All dividends paid on A Preferred Shares acquired under the DRIP will be automatically reinvested in additional A Preferred Shares on each subsequent dividend payment date, in accordance with the terms of the DRIP.

The Company operates a direct registration system that allows its shares to be owned, reported and transferred electronically without using a physical share certificate, therefore no physical share certificates will be issued in respect of Dividend Shares.

Pursuant to the DRIP, the Company has the power to make rules and regulations respecting the administration of the DRIP, the establishment of Internet-based or other electronic mechanisms for enrollment in the DRIP, the communication of information concerning the DRIP and any other aspects of the DRIP. The Company reserves the right to regulate and interpret the DRIP as the Company deems necessary or desirable, and to amend, suspend or terminate the DRIP at any time, in its sole discretion and without providing reasons. If the DRIP is terminated, the Company will provide all participants with written notice and a record of the certificates registered in their name for all Dividend Shares, together with the cash from the sale of any fractions of Dividend Shares. If the DRIP is suspended, subsequent dividends on Dividend Shares will be paid in cash.

A shareholder may terminate participation in the DRIP at any time by written notice to the Company. If such notice is received at least 7 days before a dividend record date, the termination will be effective for the applicable record date, or else will otherwise become effective after the next dividend payment date.

DRIP participants whose A Preferred Shares are registered in a name other than their own (under a deferred income plan or otherwise) may withdraw from the DRIP by making appropriate arrangements with the person who holds such shares to withdraw from the DRIP on their behalf.

Participation in the DRIP is automatically terminated upon the full retraction by a shareholder of all of its A Preferred Shares.

5.2 Subscription Procedure

You must be resident in British Columbia to subscribe for and purchase the A Preferred Shares offered under this Offering Memorandum. The Company will offer the A Preferred Shares for sale under this Offering Memorandum until the earlier of full subscription for the maximum offering and 24 months from the date of this Offering Memorandum. The Company may close this offering on an earlier or later date, as the Company may determine in its sole discretion. Closings may occur from time to time, at the Company's discretion, during the course of this offering.

You may subscribe for A Preferred Shares offered hereby by delivering the following materials to the delivery address set out below:

- (a) a completed subscription agreement and risk acknowledgement form, which accompany this Offering Memorandum;
- (b) all documents required by the Dealer or the Company in accordance with British Columbia securities laws (as provided by the Dealer); and
- (c) a cheque, certified cheque or bank draft in the amount of your investment payable to:
"First Island Financial Services Ltd. IN TRUST",

all of which must be delivered by the investor to the following delivery address:

First Island Mortgage Investment Corporation – Series IV Ltd.
c/o First Island Mortgage Investments Ltd.
Attn. Claudia Schindel, Dealing Representative
Suite #101, 727 Fisgard Street
Victoria, British Columbia, V8W 1R8
E-mail: investments@firstisland.com

We reserve the right to accept or reject subscriptions in whole or in part at our sole discretion and based on our suitability assessment.

If we do not accept your subscription, then we will promptly return your subscription funds to you.

If we accept your subscription, then we will deliver a confirmation letter to you representing the fully paid and non-assessable A Preferred Shares for which you have subscribed after you have paid the subscription price in full. Your subscription funds will be held for a two-day period following acceptance of the subscription before they are deposited into trust and recorded as a new investment in our records.

ITEM 6 INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

6.1 *Independent Tax Advice*

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

6.2 *Status as a Mortgage Investment Corporation*

For a corporation to qualify as a MIC under the Tax Act, among other requirements, it must have a minimum of 20 shareholders and no shareholder (and anyone not dealing at arm's length with the shareholder) can own more than 10% of the total issued shares of any class of shares of the corporation.

We intend to maintain our MIC status. As a qualified MIC we may deduct as if it is an expense of the Company any net income annually that we pay out in dividends during the year or within 90 days after the end of the year. These dividends will be taxable in the hands of the shareholders who are subject to tax as if they had received an interest payment rather than the usual income tax dividend treatment under the Tax Act. Shareholders will receive a T5 tax slip for the interest income paid to them on non-registered accounts during the calendar year. As a result, we anticipate that for each of our taxation years during which we qualify as a MIC the Company will receive "flow through" treatment and will not be required to pay income taxes on the net earnings from which the dividends are paid. Any Company income in excess of allowable deductible reserves under the Tax Act which is not distributed to our shareholders within 90 days after a year-end will be subject to ordinary corporate tax under the Tax Act.

6.3 *RRSPs, RRIFs, DPSPs, TFSAs*

For so long as the Company is qualified as a MIC under the Tax Act and the Company does not hold any debt of an Annuitant or related party of an Annuitant, the A Preferred Shares will be qualified investments for trusts governed by the provisions of the Tax Act as registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), deferred profit sharing plans (DPSPs) and tax-free savings accounts (TFSAs).

Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

ITEM 7 COMPENSATION PAID TO SELLERS AND FINDERS

For the Dealer's services, the Dealer will receive from the Manager an annual dealer services fee in the amount of the annual expenses incurred for all operational costs and personnel salaries of the Dealer, plus an additional \$1,000 to cover incidental costs, which fee will be subject to proration for any period during the term of the Agreement less than one full calendar year (the "Dealer Services Fee").

The Company has not retained, and does not intend to retain, an external, non-related agent to obtain subscriptions for A Preferred Shares. On the advice of the Manager and where permitted by law, the Company may, in its discretion, pay referral fees of not more than 1% of the aggregate subscription proceeds received under this offering to persons authorized by the Manager who assist the Company or the Manager to sell A Preferred Shares through the Dealer.

No fees are payable on shares issued under the DRIP.

The Company is a “connected issuer” and a “related issuer” of the Dealer, as such terms are defined in NI 33-105. The Company has determined that it is a connected issuer and a related issuer of the Dealer by virtue of the Dealer’s role as an exempt market dealer engaged to sell the A Preferred Shares offered hereby and based on the fact that the Company and the Dealer have common securityholders, directors and officers. See ITEM 8 – Risk Factors – Conflicts of Interest.

ITEM 8 RISK FACTORS

The purchase of A Preferred Shares involves a number of risk factors. You should buy them only if you can make a long-term investment, have no need for immediate liquidity in your investment and are aware of the risk factors involved in your investment.

8.1 Risks Associated with Real Estate

Real estate lending contains elements of risk and is subject to uncertainties. The value of real property is affected by general economic conditions, local real estate markets, the attractiveness of the property to prospective tenants, purchasers and other lenders, demand for leased premises, fluctuations in occupancy rates, operating expenses, competition from other available properties, and other factors. The value of a real estate property may ultimately depend upon the credit worthiness and financial stability of the tenants of the property. Investments in First Mortgages for development or renovations may be riskier than in First Mortgages relating to property purchases or mortgage receivables.

8.2 Risks Associated with Mortgage Loans

You should consider the following in connection with our First Mortgages:

- (a) Our First Mortgages will not generally be insured by Canada Mortgage and Housing Corporation or any private mortgage insurer in whole or in part.
- (b) In the event of default under a First Mortgage, it may be necessary for us, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to pay off or maintain prior encumbrances in good standing.
- (c) As with most MICs, our financing is made to borrowers who may not meet, or have time to meet, financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than institutional lenders may receive. Credit risk is the risk that the mortgagor will fail to discharge the obligation, causing the Company to incur a financial loss. To minimize our credit risk primarily we attempt to ensure that the collateral value of the primary and secondary security fully protects the advances, that there is a viable exit strategy for each investment and that First Mortgages are made to experienced developers and owners. In addition, we limit concentration risk by diversifying the mortgage portfolio by location, property type, maximum size of loan on any one property and maximum advances to any one borrower or group of borrowers.
- (d) Investments in First Mortgages are relatively illiquid. Liquidity will tend to limit our ability to vary our mortgage portfolio promptly in response to changing economic or investment conditions.
- (e) In order to protect our investment in a First Mortgage we may be required to incur significant expenditures including property taxes, capital repair and replacement costs, maintenance costs, insurance costs and other customary costs related to the ownership of real property.
- (f) We may commit to making investments in future First Mortgages in anticipation of the repayment of the principal owing under existing First Mortgages. If the principal is not repaid and if we are unable to sell our securities under this offering, then we may be unable to advance some or all of the funds required to be advanced under our commitments and we may face liability in connection with that failure.
- (g) Although we follow the environmental programs of the Manager, which environmental programs include policies and procedures to review and monitor environmental matters associated with the real property that is subject to our First Mortgages, we could become liable under various laws for the costs of effecting remedial work resulting from the release, deposit or presence of certain materials including hazardous or toxic substances and wastes at or from a property subject to one of our First Mortgages or deposited at another location. The failure to effectuate the remedial work could adversely affect a borrower’s capacity to sell the real property covered by the First Mortgage or to borrow using the real property as collateral and could result in claims against the borrower.

In addition, in recognition of the possible risks that may be involved in our loans, we may establish reserves against potential losses where deemed necessary in amounts that we anticipate being deductible for income tax purposes under the Tax Act as determined in consultation with the Company’s auditors.

8.3 Competition for Mortgage Loans

Our earnings depend on the ability of the Manager to recommend suitable opportunities for the investment of our funds and on the yields available from time to time on mortgages as well as the cost of borrowings. A wide variety of competing lenders and investors are active in the areas of lending in which we operate. Our yields on real estate loans, including mortgages, depend on many factors including economic conditions, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, legislation, governmental regulation and tax laws. We cannot predict the effect that those factors will have on our business.

8.4 Marketability

There is no market for resale of the A Preferred Shares and consequently, it may be difficult or even impossible for you to sell them. In addition, the A Preferred Shares may not be readily acceptable as collateral for loans.

There are restrictions on resale of the A Preferred Shares by you. These restrictions might never expire and you should consult your own professional advisors in respect of resale of the A Preferred Shares. See ITEM 10 below in this regard.

We do not intend presently to qualify our securities for sale to the public by way of a prospectus or to become a reporting issuer.

8.5 Appraisal Risk

While independent appraisals are required before we invest in a First Mortgage, the appraised values, even when reported on an "as is" basis do not necessarily reflect the market value of the underlying real property. That value may fluctuate. In addition, the appraisal value may depend upon meeting certain conditions including completion of construction, rehabilitation or leasing or selling of improvements on the real property. There can be no guarantee that those conditions will be met. To the extent that they are not met, the appraisal value may not be achieved. Even if the conditions are met, the appraisal value may not reflect the market value of the real property at the time the conditions are met.

8.6 Tax Designation

Under the Management Agreement, the Manager is responsible to ensure that our business operations are conducted in a way that will not jeopardize our designation as a MIC under the Tax Act. As a MIC, the normal income tax rules applicable to ordinary dividends will not apply to dividends paid on the A Preferred Shares. Rather, the dividends will be taxable in the hands of shareholders who are subject to tax as if they had received an interest payment. Shareholders will receive a T5 tax slip for reporting their annual interest income earned on non-registered accounts. If for any reason we fail to maintain our designation, dividends on the A Preferred Shares would cease to be deductible from the income of the Company. In addition, the A Preferred Shares might cease to be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or tax-free savings accounts, with the effect that a penalty tax of 1% per month of the value of the A Preferred Shares would be payable.

8.7 Reliance on Manager and Certain Personnel

We rely on the good faith, experience and judgment of the Manager to manage the business and affairs of the Company and for investment advisory and portfolio management services under the Management Agreement. An investor who is not willing to rely thereon should not purchase any of the A Preferred Shares under this Offering Memorandum. We expect that the directors and officers of the Company and the directors, officers and employees of the Manager will devote to our affairs only the time as may reasonably be necessary to conduct the Company's business. Although the Manager will carefully choose the investments that we will make, there is no representation that the investments will have a guaranteed return to the Company or to its shareholders nor that losses will not be suffered by the Company from any of those investments.

Further, there is no certainty that the persons who currently comprise the Board of Directors of the Company or the persons who are currently directors, officers or employees of the Manager or the Dealer will continue to be available to the Company for the entire period during which it requires the provision of their services. Each of the Management Agreement and Dealer Services Agreement may be terminated in various circumstances, including by the Manager or the Dealer, as applicable, upon the requisite prior written notice to the other parties as provided for in each agreement. There is no assurance that the Manager or the Dealer will continue to provide services to the Company.

8.8 Conflicts of Interest

There are conflicts of interests among the Manager, the Dealer and the Company.

As the Company's Directors and officers are also directors and officers of the Manager and Dealer, and certain of the Company's Directors and officers are also indirect shareholders of the parent of each of the Manager and Dealer, there may be conflicts of interest if the interests of these companies are inconsistent. All decisions to be made by the Directors and officers of the Company involving the Company are required by law to be made in accordance with their duties and

obligations to act honestly and in good faith with a view to the best interests of the Company. In addition, those Directors and officers are required to declare their interests in, and such Directors are required to refrain from voting on, any matter in which they may have a material conflict of interest. Provided that they so act, interested Directors will not be required to account to the Company for profits earned by such other entities.

The Manager

The Company and its shareholders are dependent in large part upon the experience and good faith of the Manager. The services of the Manager and its directors, officers and employees are not exclusive to the Company – the Manager is not in any way limited or affected in its ability to carry on business ventures for its own account or for the account of others and may be engaged in the ownership, acquisition and operation of businesses with the Company. Except when the Manager presents an investment opportunity to the Company, an investment in A Preferred Shares will not give the shareholders of the Company or the Company any right to invest in or earn any interests in any other property or venture of the Manager or its affiliates or to profit therefrom. The Manager is entitled to, and currently acts, and in the future, may act in a similar capacity for other mortgage lenders, which may have investment criteria similar to and may compete with ours. As a result, there is a risk that the Manager will not be able to originate sufficient suitable lending opportunities to keep our funds fully invested. The Directors and officers of the Company are also employed by and are directors, officers and shareholders of the Manager. There may be instances where the Manager will be considering a lending opportunity that may be suitable for the Company as well as other mortgage lenders or investors with whom the Manager has business relationships. In these cases, the Manager or a director of the Manager will have the right to act as they see fit.

The Manager has conflicts of interest relating to the Company as a result of the fact that the economic success of the Manager is tied solely to the management of related parties. The only source of direct revenue from the Company to the Manager is the Administration Fee.

Transactions between the Company and the Manager or any of its affiliates will not benefit from arm's length bargaining. The Directors of the Company may vary the Company's investment guidelines. The Directors have the right to vote to terminate, change or replace the Management Agreement. It may be difficult for some of the Directors to exercise independent judgment about these and other matters.

The Dealer

The Company is a "connected issuer" and a "related issuer" of the Dealer, as such terms are defined in NI 33-105. The Company has determined that it is a connected issuer and a related issuer of the Dealer by virtue of the Dealer's role as an exempt market dealer engaged to sell the A Preferred Shares offered hereby, on a non-exclusive basis, and based on the fact that the Dealer and the Company have common securityholders, directors and officers. Additionally, the Dealer is considered a "captive dealer" as defined by CSA Staff Notice 31-343 because it solely or primarily distributes securities of related or connected issuers.

The Dealer's relationship with the Company and the Manager may cause the Dealer to perform due diligence on the securities offered hereby with a less independent view, and the Dealer may be considered to have an added incentive to sell the securities offered hereby. The judgement of the Dealer's dealing representatives, management and supervisory staff may be considered to be affected by these relationships. In light of the conflicts of interest, the Dealer has adopted policies and procedures for assessing a purchase as suitable for a client and for identifying and responding to conflicts of interest by avoiding, controlling or disclosing conflicts of interest.

As disclosed in this Offering Memorandum, the subscription proceeds from the Offering will not be applied for the benefit of the Dealer or its related issuers.

8.9 Access to Client Assets

Due to the common mind and management of the Company, the Manager and the Dealer, and the fact that certain registered personnel of the Dealer are authorized signatories of the Manager and the Company, certain of the Dealer's registered personnel have access to client assets. Specifically, certain of the Dealer's registered personnel have access to client cash in the bank accounts of the Company, to the books and records of the Company's securityholders, and to the Company's mortgage investments. Granting the Dealer access to our shareholders' assets, even in limited circumstances, exposes our shareholders to potential risk of loss: (i) if there is a breakdown in the Dealer's information technology systems; or (ii) due to fraud, willful or reckless misconduct, negligence, or error of the Dealer's personnel who have access. To reduce the risk of loss, the Dealer provides disclosure to clients with respect to such risk and the Manager and the Dealer have strict operational controls. In addition, the Dealer is required under securities laws to insure against the risk of loss from any access the Dealer may have to your assets.

8.10 Cyber Security

The information and technology systems of the Company, the Manager, the Dealer, and the Company's other service providers may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Company has implemented, and the Manager may maintain, various measures to manage risks relating

to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Company and/or the Manager may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Company's and the Manager's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Company's and/or the Manager's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance. Furthermore, the Company cannot control the cyber security plans and systems of the Manager, the Dealer and service providers.

ITEM 9 REPORTING OBLIGATIONS

9.1 Documents Provided to Shareholders Annually or on an Ongoing Basis

The Company is not a reporting issuer in British Columbia. On a quarterly basis we will provide reports to you on allocations and distributions to the Company's shareholders and information upon request about our First Mortgage investments. In addition, as a shareholder of the Company, you are entitled to receive, upon request, audited financial statements within 140 days after the fiscal year-end.

9.2 Information about the Company

You may obtain information about the Company's incorporation, amendments to our constating documents, directors, officers, annual corporate filings and other corporate information from the British Columbia Registrar of Companies, 2nd Floor, Suite 200 – 940 Blanshard Street, Victoria, BC, V8W 3E6 (telephone number 1-877-526-1526). Information about the Company's status and filing under the *Securities Act* (British Columbia) (the "Securities Act") can be obtained from the British Columbia Securities Commission.

ITEM 10 RESALE RESTRICTIONS

10.1 General

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus requirements under securities legislation. The Manager does not permit the trading of A Preferred Shares.

10.2 Restricted Period

Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date the Company becomes a reporting issuer in any province or territory of Canada. The Manager does not permit the trading of A Preferred Shares.

ITEM 11 PURCHASERS' RIGHTS

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

(1) **Two Day Cancellation Right** - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

(2) **Statutory Rights of Action in the Event of a Misrepresentation**

The following summary is subject to the express provisions of the Securities Act and the regulations, rules and policy statements thereunder. Purchasers should refer to the Securities Act along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor. The statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy that purchasers may have at law.

If there is a misrepresentation in this Offering Memorandum, then you have a statutory right to sue:

- (a) the Company to cancel your agreement to buy the A Preferred Shares; or
- (b) for damages against the Company, every person who was a Director of the Company at the date of this Offering Memorandum and any other person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves does not represent the depreciation in value of your A Preferred Shares as a result of the misrepresentation. Furthermore, the amount recoverable in an action for damages will not exceed the price at which the A Preferred Shares were offered. There are

various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if:

- (a) they prove that the purchaser had knowledge of the misrepresentation;
- (b) they prove that this Offering Memorandum was delivered to purchasers without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the Company that it was sent without the person's knowledge or consent;
- (c) they prove that on becoming aware of the misrepresentation in this Offering Memorandum, the person withdrew the person's consent to the Offering Memorandum and gave written notice to the Company of the withdrawal and the reason for it; or
- (d) in the case of a defendant other than the Company, with respect to any part of this Offering Memorandum purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that: (i) there had been a misrepresentation; or (ii) the relevant part of this Offering Memorandum: (A) did not fairly represent the report, opinion or statement of the expert; or (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

In addition, in the case of a defendant other than the Company, a person is not liable for damages with respect to any part of this Offering Memorandum not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed there had been a misrepresentation.

The defendant will not be liable for a misrepresentation in forward-looking information if the defendant proves that:

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

Time limitations

If you intend to rely on the statutory right to sue described above, you must do so within strict time limitations.

In British Columbia, you must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of: (i) 180 days after you first had knowledge of the facts giving rise to the cause of action, and (iii) three years after the date of the transaction that gave rise to the cause of action.

ITEM 12 FINANCIAL STATEMENTS

Included in this Offering Memorandum are Audited Financial Statements for the year ended October 31, 2019.

**FIRST ISLAND MORTGAGE INVESTMENT
CORPORATION - SERIES IV LTD.**

FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

INDEX TO FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

- Independent Auditors' Report
- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Shareholders' Equity
- Statement of Cash Flows
- Notes to Financial Statements

McAVOY RULE & COMPANY

CHARTERED PROFESSIONAL ACCOUNTANTS

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* denotes professional corporation

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
First Island Mortgage Investment Corporation - Series IV Ltd.

Opinion

We have audited the financial statements of First Island Mortgage Investment Corporation - Series IV Ltd. ("the Company"), which comprise the statement of financial position as at October 31, 2019 and October 31, 2018, the statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Comapny as at October 31, 2019 and October 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

February 12, 2020
Victoria, B.C.

McAvoy Rule & Company
McAvoy Rule & Company
Chartered Professional Accountants

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

STATEMENT OF FINANCIAL POSITION - OCTOBER 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 4,165,094	\$ 769,316
Interest receivable	197,804	207,207
Current portion of mortgage investments (Notes 3c, 4)	36,866,524	40,134,168
	41,229,422	41,110,691
MORTGAGE INVESTMENTS (Notes 3c, 4)	4,447,668	3,800,081
	\$ 45,677,090	\$ 44,910,772
LIABILITIES		
CURRENT		
Dividends payable	\$ 597,169	\$ 580,902
REDEEMABLE PREFERRED SHARES (Note 6)	45,079,920	44,329,869
	45,677,089	44,910,771
SHAREHOLDERS' EQUITY		
COMMON SHARES (Note 7)	1	1
	\$ 45,677,090	\$ 44,910,772

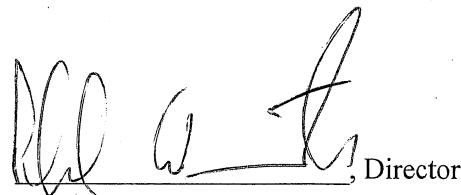
COMMITMENTS (Note 8)

The financial statements were approved on February 12, 2020

Approved on behalf of the Board:



, Director



, Director

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED OCTOBER 31, 2019

	2019	2018
REVENUE		
Interest income	\$ 3,505,166	\$ 3,213,406
EXPENSES		
Administration fees (Notes 5, 8a)	1,163,407	1,036,764
EARNINGS BEFORE DIVIDENDS ON PREFERRED SHARES	2,341,759	2,176,642
DIVIDENDS ON REDEEMABLE PREFERRED SHARES	2,341,759	2,176,642
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ -	\$ -

The accompanying notes form an integral part of these financial statements.

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

YEAR ENDED OCTOBER 31, 2019

	Common Shares		Equity		Total Shareholders' Equity
Balance, October 31, 2017	\$ 1	\$ -	\$ -	\$ 1	
Profit and total comprehensive income for the year	-	-	-	-	
Balance, October 31, 2018	1	-	-	-	1
Profit and total comprehensive income for the year	-	-	-	-	
Balance, October 31, 2019	\$ 1	\$ -	\$ -	\$ 1	

The accompanying notes form an integral part of these financial statements.

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

STATEMENT OF CASH FLOWS

YEAR ENDED OCTOBER 31, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	\$ -	\$ -
Non-cash items:		
Dividends paid with non-cash consideration	1,286,824	1,216,818
	1,286,824	1,216,818
Changes in non-cash working capital items:		
Decrease (increase) in interest receivable	9,403	(22,691)
Increase in dividends payable	16,267	16,537
	1,312,494	1,210,664
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage investment advances	(34,683,351)	(43,519,837)
Mortgage investment repayments	37,303,408	43,157,960
	2,620,057	(361,877)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Class A preferred shares	3,892,747	2,839,597
Redemption of Class A preferred shares	(4,429,520)	(4,677,599)
	(536,773)	(1,838,002)
NET INCREASE (DECREASE) IN CASH	3,395,778	(989,215)
CASH, beginning of the year	769,316	1,758,531
CASH, end of the year	\$ 4,165,094	\$ 769,316

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash dividends paid on Class A preferred shares during the year	\$ 1,038,667	\$ 943,287
Interest received during the year	\$ 3,514,569	\$ 3,190,715

NON-CASH TRANSACTIONS

The Company issued \$1,286,824 (2018 - \$1,216,818) in redeemable preferred shares during the year at the value of \$1.00 per share in settlement of dividends payable.

FIRST ISLAND MORTGAGE INVESTMENT CORPORATION - SERIES IV LTD.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

1. REPORTING ENTITY

First Island Mortgage Investment Corporation - Series IV Ltd. (the "Company") was incorporated under the Company Act of the Province of British Columbia on April 4, 2001 and commenced operations as a mortgage investment corporation on April 12, 2001. The objective of the Company is to originate and manage long-term income generation through a portfolio of interests in mortgages underwritten on real property developments.

The Company qualifies as a mortgage investment corporation ("MIC") under the Income Tax Act (Canada). A MIC does not pay corporate level taxes when all taxable income is distributed to shareholders as dividends during, or within 90 days of, its fiscal year. Taxable Canadian shareholders will have dividend payments subject to Canadian tax as interest income.

The Company is domiciled in Canada and its registered office is 101-727 Fisgard Street, Victoria, British Columbia.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements were authorized for issue by the Board of Directors on February 12, 2020.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual reports may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which these estimates are revised and in any future periods affected.

The most significant estimates that the Company is required to make relate to the valuation of the mortgage investments (note 4). These estimates may include assumptions regarding local real estate market conditions, interest rates and the availability of credit, cost and terms of financing, the impact of recent or future legislation or regulation, prior encumbrances and other factors affecting the investments and underlying security of the investments, including considerations provided in notes 3c and 3f.

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

(a) Financial instruments

(i) Financial assets

Effective November 1, 2018, the Company adopted the requirements of IFRS 9 – Financial Instruments (“IFRS 9”) retrospectively without restatement to comparative information (note 3i). This standard replaces the application requirements set out in IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 deals with the classification and measurement of financial instruments, including the impairment of financial assets.

The Company initially recognizes financial assets on the date it becomes a party to the contractual provisions of the instrument. Upon initial recognition, financial assets are measured at fair value. Financial assets not measured at fair value through profit or loss are measured at fair value plus any directly attributable transaction costs. On initial recognition, the measurement classification is determined based on the business model in which the financial assets are held and the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- (a) It is held within a business model with the objective to hold the financial asset in order to collect the cash flows associated with the contract, and
- (b) The financial assets’ contractual terms give rise to cash flows representing solely payments of principal and/or interest.

Financial assets not classified as amortized cost are classified as fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) based on the business model in which the financial assets are held and the contractual cash flows associated with the financial asset. Currently, there are no financial assets classified as FVOCI or FVTPL.

The Company’s financial assets are comprised of mortgage investments, cash and cash equivalents, all of which are classified at amortized cost. These financial assets are all consistent with the Company’s business model, which is to hold the financial asset which gives rise to cash flows representing solely payments of principal and/or interest. Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest method, less any impairment losses applying the expected credit loss model.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. 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 consideration received (including any new assets obtained less any new liability assumed) is recognized in profit or loss.

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(ii) Financial liabilities

The Company initially recognizes financial liabilities on the date it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company has the following financial liabilities which it has classified at amortized cost: accounts payable and redeemable preferred shares. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(b) Cash and cash equivalents

Cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition, including cash and deposits with banks and cheques and other items in transit.

(c) Mortgage investments

Mortgage investments are classified and measured at amortized cost using the effective interest method, less any allowances for expected credit losses. Mortgage investments are assessed for impairment at the end of each reporting period by applying the expected credit loss ("ECL") model.

ECLs are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

For mortgage investments in which credit risk is determined to have increased significantly since initial recognition (defined as "Stage 2") and for mortgage investments that are determined to be credit-impaired (defined as "Stage 3"), loss allowances are measured at an amount equal to the lifetime ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a mortgage investment.

In determining whether credit risk has increased significantly since initial recognition, the Company considers relevant, reasonable and supportable information that is available without undue cost or effort. This assessment includes not only past due information, such as payments in arrears and past experience, but also forward-looking macroeconomic information of credit quality, general economic conditions and real estate market conditions. The Company determines that the credit risk on a mortgage investment has increased significantly if the mortgage investment is more than 90 days past due and has a loan-to-value ratio above 75%.

For the purpose of determining significant increases in credit risk and recognizing a loss allowance on a collective basis, the Company groups mortgage investments on the basis of shared credit risk characteristics.

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Mortgage investments (continued)

Mortgage investments are assessed at a specific level for reasonable assurance of timely collection of the full amount on principal and interest to determine whether a mortgage investment is credit-impaired. The Company considers a mortgage investment to be in default and credit-impaired when one or more events have been identified that will have a detrimental impact on the estimated future cash flows. Evidence that a mortgage investment is credit-impaired include observable data such as, significant financial difficulty of the borrower, breach of contract, such as a default, it is becoming probable that the borrower will enter bankruptcy, or a significant decline on the fair value of the security underlying the mortgages.

For mortgage investments that are credit-impaired at the reporting date, the Company measures the ECL as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For mortgage investments in which credit risk has not significantly increased since initial recognition, the Company measures loss allowances at an amount equal to the 12-month ECL. Credit risk is assumed to not have increased significantly if the mortgage investment is determined to have a low credit risk at the reporting date (defined as "Stage 1"). Twelve-month ECLs are the portion of lifetime ECLs that result from default events on the mortgage investment that are possible within the 12 months after the reporting date.

Losses are recognized in the statement of comprehensive income and reflected in an allowance account against the gross carrying amount of the mortgage investment. For mortgage investments in which credit risk has not significantly increased (Stage 1), and for mortgage investments in which credit risk has increased significantly (Stage 2), interest revenue is calculated on the gross carrying amount. For mortgage investments that are credit impaired (Stage 3), interest revenue is calculated on the amortized cost.

The company will write off a mortgage investment when there is no reasonable expectation of recovering the contractual cash flows in their entirety, or a portion thereof.

(d) Revenue recognition

Interest income is recorded on the accrual basis using the effective interest rate method (note 3c). When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Loan application and origination fees of mortgage investments are recognized by First Island Financial Services Ltd., a related company, under its contract as the manager of the Company.

(e) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

FIRST ISLAND MORTGAGE INVESTMENT CORPORATION - SERIES IV LTD.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income taxes (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority or the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

(g) 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.

Preferred share capital is classified as a liability due to redemption options of the shareholders. Dividends are accrued and recognized in profit and total comprehensive income for the year.

(h) Dividends

Subject to the discretion of the Board of Directors, dividends on redeemable preferred shares are calculated and paid quarterly. Interest income from the mortgages in arrears by three months or more may not be included in the dividend calculation until the mortgage is no longer in arrears.

(i) New accounting standards implementing in the year

IFRS 9 – Financial Instruments

Effective November 1, 2018, the Company adopted the requirements of IFRS 9 – Financial Instruments (“IFRS 9”) retrospectively without restatement to comparative information. This standard replaces the application requirements set out in IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 deals with the classification and measurement of financial instruments, including the impairment of financial assets.

FIRST ISLAND MORTGAGE INVESTMENT CORPORATION - SERIES IV LTD.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

(i) New accounting standards implementing in the year (continued)

IFRS 9 – Financial Instruments (continued)

Financial asset classification and measurement is based on the business model in which they are held and the characteristics of their contractual cash flows. Financial assets are classified and measured at either amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”).

IFRS 9 introduces the expected credit loss (“ECL”) model to assess impairment for financial assets measured at either amortized cost or FVOCI. Financial assets are assessed at each reporting date to determine whether the credit risk has increased significantly from initial recognition. ECLs are measured either at the lifetime ECL or the 12-month ECL.

The transition from IAS 39 to IFRS 9 did not have a significant impact on the measurement or carrying value of financial instruments or the loss allowance for expected credit losses.

The changes in the classification categories of the Company's financial instruments as a result of the transition from IAS 39 to IFRS 9 are as follows:

Financial Assets and Liabilities	IAS 39	IFRS 9
Cash	Loans and receivables	Amortized cost
Interest receivable	Loans and receivables	Amortized cost
Mortgage investments	Loans and receivables	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost
Redeemable preferred shares	Other financial liabilities	Amortized cost

IFRS 15 – Revenue from Contacts with Customers

Effective November 1, 2018, the Company adopted the requirements of IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) retrospectively. This standard replaces IAS 11 Construction contracts, IAS 18 Revenue and related interpretations. Under transitional guidance, the cumulative effect of initial application of IFRS 15 is recognized as an adjustment to the opening balance of retained earnings as at November 1, 2018. Only contracts incomplete as at November 1, 2018 are considered in the retrospective cumulative adjustment. The Company has determined there is not a significant impact on the nature, timing, and amount of revenues recognized due to the adoption of IFRS 15.

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

4. MORTGAGE INVESTMENTS

	2019	2018
Mortgage investments	\$ 41,314,192	\$ 43,934,249
Less: Current portion of mortgage investments	36,866,524	40,134,168
	<hr/> \$ 4,447,668	<hr/> \$ 3,800,081

The mortgage investments consist of short-term financing for commercial and residential construction projects in British Columbia and Alberta. The mortgages bear interest at rates from 4.50% to 9.25% (2018 - 4.50% to 10.25%) and are generally due within one year. The weighted average interest rate of all mortgages on October 31, 2019 is 8.38% (2018 - 8.27%).

The mortgages are registered as a first financial charge against the title of the subject real property in the appropriate land title or land registry office in the name of the Company or in trust in the name of First Island Financial Services Ltd. ("the Manager") or its affiliates or a nominee bare trustee for the Corporation as to its interest and any other interested lenders. Where applicable the Manager will also further protect the first mortgage by securing additional security via collateral charges on land titles over secondary security owned by the borrower.

Loss allowances for mortgage investments as at October 31, 2019 are determined as follows:

2019	Stage 1	Stage 2	Stage 3	Total
Mortgage balance	\$ 41,314,192	-	-	\$ 41,314,192

As at October 31, 2019, the allowance for impairment losses is \$nil. Management has determined that all mortgage investments are collectible based on the development stage of the outstanding mortgage investments, the historical credit worthiness of the borrowers, and the mortgage investment collateral held, and as such there has been no specified or general allowance for loss provision applied against any of the mortgage investments.

5. DUE TO RELATED PARTY

The Corporation is related to First Island Financial Services Ltd. ("the Manager") and invests exclusively in first mortgages managed by the Manager. In accordance to the provision of a management agreement with the Manager for administration fees (Note 8), administration fees were charged in the amount of \$1,163,407 (2018 - \$1,036,764).

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

6. REDEEMABLE PREFERRED SHARES

(a) Authorized:

200,000,000 Class A redeemable preferred shares with a par value of \$1 per share
2,000,000 Class B redeemable preferred shares with a par value of \$10 per share

(b) Issued:

	Number of shares	Amount
Balance, October 31, 2017	44,951,053	\$ 44,951,053
Class A Preferred Shares:		
Issued for:		
New cash investments	2,839,597	2,839,597
Dividends reinvested	1,216,818	1,216,818
Redeemed	(4,677,599)	(4,677,599)
Balance, October 31, 2018	44,329,869	44,329,869
Class A Preferred Shares:		
Issued for:		
New cash investments	3,892,747	3,892,747
Dividend reinvested	1,286,824	1,286,824
Redeemed	(4,429,520)	(4,429,520)
Balance, October 31, 2019	45,079,920	\$ 45,079,920

The preferred shares are redeemable at the option of the Company. The Company may redeem all or any part of the preferred shares outstanding either by invitation for tenders addressed to all the holders of record of outstanding preferred shares, or by private contract at the lowest obtainable price determined by the directors.

The preferred shares are retractable at the option of the holder after a minimum investment period of eighteen months. The holder must give written notice to the Company requesting that the Company retract the whole or any part of the preferred shares held by the holder. The notice period is three months. The retraction price for each preferred share will be book value per share for the preferred shares.

The Company is not required to retract more than 25% of the issued and outstanding shares of any class in any one fiscal year.

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

7. COMMON SHARES

- (a) Authorized:
100 Common shares without par value
- (b) Issued:

	Number of shares	Amount
Balance, October 31, 2018	11	\$ 1
Balance, October 31, 2019	11	\$ 1

8. COMMITMENTS

- (a) The Company has entered into a management contract with the Manager, to procure all administrative services required in the operations of the Company, inclusive of all costs and overhead related thereto. Pursuant to the agreement, the Company is committed to pay fees up to 3.75% per annum, calculated monthly on the active mortgage principal under administration by the Manager. The fees are to be paid to the Manager monthly from payments received from the Borrowers. This agreement remains in effect until terminated.

In the year ended October 31, 2019, the Manager was paid fees on active mortgages under its administration of 2.85% (2018 - 2.53%).

- (b) As at October 31, 2019, there were commitments to fund mortgages and draws on existing mortgages in the amount of \$10,948,702 (2018 - \$9,058,016)
-

9. DIVIDENDS

During the year ended October 31, 2019, the Company paid quarterly dividends to Class A preferred shareholders. The average annualized quarterly dividend rate was 5.25% (2018 - 4.90%).

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, interest receivable, mortgage investments, dividends payable, and redeemable preferred shares. It is management's objective to engage in policies and processes for managing risks which controls the risk exposure associated with its financial instruments.

Unless otherwise noted, it is management's opinion that the Company has identified objectives, and implemented policies and processes for managing risks arising from financial instruments and as such the Company is not exposed to significant credit, interest rate, liquidity, loans payable, market risk or other price risk arising from these financial instruments. The fair values of financial assets and liabilities approximates their carrying values, unless otherwise noted.

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

10. FINANCIAL INSTRUMENTS (continued)

Credit Risk

Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. As with most mortgage investment corporations, financing is made to borrowers who may not meet, or have time to meet, the financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than institutional lenders may receive. Credit risk is the risk that the mortgagor will fail to discharge the obligation, causing the Company to incur a financial loss.

To minimize credit risk, the Company attempts to ensure that the collateral value of the security fully protects the advances, that there is a viable exit strategy for each investment and that the first mortgages are made to experienced developers and owners. The Company also ensures that no more than 75% of the underlying value of the security is advanced at any time. The Company limits the concentration risk by diversifying the mortgage portfolio by location, property type, maximum size of loan to any one property and maximum advances to any one borrower or group of borrowers.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Management controls liquidity risk through cash flow projections used to forecast funding requirements for mortgage investments and anticipated redemption of preferred shares. The Company also has the ability to manage liquidity risk through control of redeemable preferred share retractions and the payment of dividends on the redeemable preferred shares.

Market risk

Market risk is the risk that the value of future cash flows from mortgage investments will fluctuate because of changes in market prices. It represents the risk that real estate sales will begin to slow, effecting mortgager's profit and increasing risks to the lender. Management controls market risk through the loan selection process and ongoing monitoring activities.

Fair Value

The carrying amounts of cash and cash equivalents, accounts payable and accrued liabilities and due to related party approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The carrying value of impaired mortgages, after the allowance for impairment, approximates their fair value based on the process followed to estimate the realizable value (note 3c).

The fair value of performing mortgages and mortgages in arrears approximate their carrying value. Due to the uncertainty of the timing of retraction, the fair value of the redeemable preferred A shares is not readily determinable.

**FIRST ISLAND MORTGAGE INVESTMENT CORPORATION
- SERIES IV LTD.**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2019

11. CAPITAL DISCLOSURES

The Company considers its capital to comprise its Class A shares, which are classified as a financial liability on the statement of financial position. In managing its capital, the Company's primary objective is to ensure its continued ability to provide a consistent return for its shareholders through investments in mortgages bearing an acceptable interest rate and level of risk. In order to achieve this objective, the Company seeks to balance risks and returns at an acceptable level by providing mortgage financing at an interest rate commensurate with the level of risk. In making decisions to adjust its capital structure to achieve these objectives, the Company considers both its short-term and its long-term strategic objectives.

The Company is subject to externally imposed provisions of the Income Tax Act in order to qualify as a mortgage investment corporation. There has been no change with respect to the overall capital management strategy during the year.

ITEM 13 DATE AND CERTIFICATE

Dated: February 28, 2020

This Offering Memorandum does not contain a misrepresentation.

On behalf of the Directors of First Island Mortgage Investment Corporation – Series IV Ltd.



Darrell J. Morgan, Director,
President, CEO, CFO



Philippe D. Wooster, Director



Kirsten Ralph, Director

SUBSCRIPTION AGREEMENT

TO: FIRST ISLAND MORTGAGE INVESTMENT CORPORATION – SERIES IV LTD. (the “Company”)
AND TO: FIRST ISLAND MORTGAGE INVESTMENTS LTD. (the “Dealer”)

The undersigned subscriber (the “**Investor**”) hereby subscribes for the number of Class “A” Redeemable Preferred Shares with a par value of \$1.00 per share of the Company set out below (the “**Shares**”) at a subscription price of \$1.00 per Share. These Shares are being offered to the undersigned under the Company’s current Offering Memorandum dated February 28, 2020, for the aggregate subscription price set out below (the “**Aggregate Subscription Price**”), upon and subject to the terms and conditions set out herein and in the provided the “General Terms”, together with the provided Risk Acknowledgement Form 45-106F4.

No. of Shares subscribed for: _____

Aggregate Subscription Price: \$ _____

This is the Name in which the Shares must be registered

In order to induce the Company to accept this Subscription Agreement and sell the Shares to the Investor, and in addition to the representations, warranties and covenants set out in the provided “General Terms”, the Investor acknowledges, represents and warrants to, and covenants with, the Company and the Dealer (and if the Shares are being purchased by a partnership, each partner acknowledges, represents, warrants and covenants), and acknowledges that the Company and the Dealer and their respective counsel are relying on such representations, warranties and covenants, as follows as at the date of execution of this Subscription Agreement and as at the completion of the purchase and sale of the Shares (the “**Closing**”):

- a) if the Investor is the annuitant/beneficiary under a Registered Retirement Savings Plan, Registered Retirement Investment Fund, Deferred Profit Sharing Plan or Tax-Free Savings Account Plan described below (the “**Plan**”), then the Investor is the representative of the Plan with respect to the Shares and the Investor hereby irrevocably authorizes and directs the trustee of the Plan to subscribe for and purchase the Shares upon the terms and conditions of this Subscription and to tender the Aggregate Subscription Price in full payment of the subscription price for the Shares and the Investor hereby ratifies and affirms the actions to be taken by the trustee of the Plan in furtherance of the subscription for the Shares hereunder;
- b) if the Investor is the annuitant under a Registered Retirement Savings Plan or Tax-Free Savings Account Plan then the Investor is aware that it is the Investor’s sole responsibility to ensure that the amount of contributions are within the limits permitted under the *Income Tax Act* (Canada);
- c) the Investor is not a “non-resident” of Canada within the meaning of the *Income Tax Act* (Canada);
- d) the Investor is not a “non-Canadian” within the meaning of the *Investment Canada Act* (Canada);
- e) if I am individual, I have attained the age of majority and have the legal capacity and competence to execute this Subscription Agreement and to take all actions required under it;
- f) if I am a corporation, partnership or other legal entity, I have (and if my Shares are being purchased by a partnership, each partner has) the legal capacity and competence to execute this Subscription and to take all actions and all necessary approvals by directors, shareholders and members, or otherwise, have been given to authorize the execution and delivery of this Subscription;
- g) the Investor has received and carefully reviewed the Offering Memorandum before subscribing for the Shares; and
- h) by initialing beside the subparagraph below, the Investor confirm that the Investor is (and if the Shares are being purchased by a partnership, the Investor confirms for each partner that the partner is)

_____ resident in British Columbia and have received, read, understood and executed
the Risk Acknowledgement Form 45-106F4

Initial

These are My Dividend Instructions:

By checking the box below, the Investor confirms their direction that they want their dividends to be issued as follows, unless and until they otherwise direct the Company in writing:

- 100% A Preferred Shares at a price of \$1.00 per share (*reinvest dividends*)
- 100% Cash (*by direct deposit to investor’s bank account – details on file*)

(see reverse for signatures)

INDIVIDUAL(S)
in the presence of

Signature of Witness

Name of Witness

Occupation of Witness

Address of Witness

x

Signature of First Subscriber

Full Legal Name of First Subscriber

Address of First Subscriber

Telephone No. of First Subscriber

Email of First Subscriber

Social Insurance Number (to be used on T5)

Signature of Second Subscriber

Full Legal Name of Second Subscriber

Address of Second Subscriber

Telephone No. of Second Subscriber

Social Insurance Number (will not appear on T5)

INSTITUTION

Name of Institution

Description of the Plan

Address

Plan Identification or Account Number

City, Province and Postal Code

ACCEPTANCE

By its authorized signatory the Company accepts this Subscription on _____, 202__.

FIRST ISLAND MORTGAGE INVESTMENT CORPORATION – SERIES IV LTD.

Authorized Signatory

Form 45-106F4

W A R N I N G

Risk Acknowledgement

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority or regulator has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- I will not be able to sell these securities except in very limited circumstances. I may never be able to sell these securities.
- The securities are redeemable, but I may only be able to redeem them in limited circumstances.
- I could lose all the money I invest.

I am investing \$ _____ in total; this includes any amount I am obliged to pay in future.

I acknowledge that this is a risky investment and that I could lose all the money I invest.

Date

x _____
Signature of Purchaser

Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

You have 2 business days to cancel your purchase

To do so, send a notice to **FIRST ISLAND MORTGAGE INVESTMENTS LTD.** stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to **FIRST ISLAND MORTGAGE INVESTMENTS LTD.** at its business address. Keep a copy of the notice for your records.

FIRST ISLAND MORTGAGE INVESTMENTS LTD.

c/o Claudia Schindel, Dealing Representative
Suite #101, 727 Fisgard Street
Victoria, B.C. V8W 1R8
Tel: (250) 388-5441
Fax: (250) 361-9160
E-mail: investments@firstisland.com

You are buying Exempt Market Securities.

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority or regulator.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are more risky than other securities.

You will receive an offering memorandum.

Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

The securities you are buying are not listed.

The securities you are buying are not listed on any stock exchange, and they may never be listed. You may never be able to sell these securities.

The issuer of your securities is a non-reporting issuer.

A *non-reporting issuer* does not have to publish financial information or notify the public of changes in its business. You may not receive ongoing information about this issuer.

For more information on the exempt market contact:

- British Columbia Securities Commission:
telephone (604) 899-6500
website www.bcsc.bc.ca

The purchaser must sign 2 copies of this form. The purchaser and the issuer must each receive a signed copy.

**GENERAL TERMS
FOR SUBSCRIPTION OF SHARES OF
FIRST ISLAND MORTGAGE INVESTMENT CORPORATION – SERIES IV LTD.**

**TO: FIRST ISLAND MORTGAGE INVESTMENT CORPORATION – SERIES IV LTD. (the “Company”)
AND TO: FIRST ISLAND MORTGAGE INVESTMENTS LTD. (the “Dealer”)**

The Investor hereby agrees to subscribe for and purchase on the Closing (as defined below), and the Company agrees to issue and sell to the Investor, the number of Shares set out on the face page of this Subscription Agreement, subject to the terms and conditions set out in this Subscription Agreement.

1. OFFERING

The Investor's subscription for the Shares is part of a larger offering by the Company of up to 10,000,000 Class "A" Redeemable Preferred Shares with a par value of \$1.00 per share under the offering memorandum of the Company dated February 28, 2020 (the "Offering Memorandum").

2. FUNDS IN TRUST

In accordance with the requirements of National Instrument 45-106F2 of the British Columbia Securities Commission, the Company will hold the subscription funds advanced by the Investor for the Investor until midnight on the second business day after this signed Subscription Agreement is delivered to the Company.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY

The Company represents and warrants to the Investor that as at the date of execution of the Subscription Agreement and as at the Closing, that:

- (a) The Company is a corporation incorporated under the laws of the Province of British Columbia, with full power and authority to conduct its business as it is currently being conducted and to own its assets and has secured the authorizations, approvals, permits and orders required by law for the conduct by the Company of its business as it is currently being conducted.
- (b) The Company has authorized the issuance and sale of the Shares under the Offering Memorandum. The Shares, upon full payment of the Aggregate Subscription Price therefore, will represent duly authorized and validly issued shares of the Company.

4. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE INVESTOR

The Investor hereby represents and warrants to and acknowledges, covenants and agrees with the Company and the Dealer (and acknowledges that the Company and the Dealer and their respective counsel are relying thereon), as at the date of execution of the Subscription Agreement and as at the Closing, that:

Eligibility

- (a) The Investor is resident in, or subject to the laws of, the Province of British Columbia, and is entitled under applicable securities laws to invest in the Company without the benefit of a prospectus qualified under such securities laws.
- (b) The Investor has received, carefully reviewed and fully understands the Offering Memorandum (including, in particular, the disclosure set out under the heading, "Item 8 – Risk Factors"), and this Subscription Agreement, in each case in its entirety.
- (c) The Investor is not a U.S. person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended, which definition includes, but is not limited to, an individual resident in the United States and an estate or trust of which any executor, administrator or trustee is a U.S. person), and is not purchasing the Shares for the account or benefit of a U.S. person, and it was not offered the Shares in the United States, and did not execute or deliver this Subscription Agreement or deliver payment for the Shares in the United States.
- (d) The Investor has no intention to distribute either directly or indirectly any of the Shares in the United States or to U.S. persons.
- (e) Neither the Investor nor any party on whose behalf the Investor is acting has been established, formed or incorporated solely to acquire, hold or permit the acquisition of an interest in the Company without a prospectus in reliance on an exemption from the prospectus requirements of applicable Canadian securities laws;

- (f) The Investor is purchasing the Shares for investment purposes and not with a view to resale or distribution and is:
- (i) purchasing the Shares, and will acquire the Shares, when issued, as principal for the Investor's own account and not for the benefit of, or on behalf of, any other person; or
 - (ii) (A) confirms that it is duly authorized to enter into this Subscription and to execute all documentation in connection with the purchase of the subscribed Shares on behalf of each beneficial purchaser; (B) acknowledges that the Company may be required to disclose to certain regulatory authorities the identity of each beneficial purchaser of the subscribed Shares for whom the Investor may be acting.

Investment Risk

- (g) The Investor:
- (i) has such knowledge, skill and experience in business, financial and investment matters as to be capable of, or has received advice from a person registered as an adviser under applicable securities legislation for the purposes of, evaluating the merits and risks of an investment in the Shares;
 - (ii) is aware of the characteristics of the Shares and understands that an investment in the Company involves risks, including but not limited to: (A) the risk of a complete loss of that investment; and (B) the risks set out in the "Item 8 - Risk Factors" section of the Offering Memorandum; and
 - (iii) is aware that the Company is selling Shares on a continuous offering basis and that the Investor's subscription for the Shares pursuant hereto will provide funds for the immediate use of the Company.

Financial Position and No Need for Liquidity

- (h) The Investor is able, without impairing its financial condition, to bear the economic risks of, and withstand the possibility of a complete loss of, its investment.
- (i) The Investor has adequate means for providing for its current needs and possible contingencies and has no need for immediate liquidity with respect to the investment in the Company for which it hereby applies.
- (j) The Investor is aware that (i) there is no right to demand any distribution from the Company, other than by retraction of the Shares pursuant to the terms and procedures set forth in the Offering Memorandum and constating documents of the Company, which retraction rights are subject to limitations and restrictions in certain circumstances; (ii) there will not be any public market for the Shares; and (iii) it may not be possible to sell or dispose of the Shares.

Investment Decision

- (k) The Investor has to its satisfaction been given the opportunity to ask questions of, and receive answers from, the Company and the Dealer which it wished to raise regarding the business, affairs and financial condition of the Company and the Dealer, the nature of and conflicts arising from their affiliated relationship, the proposed use of proceeds, the rights and restrictions governing the Shares, and the terms of this Subscription Agreement.
- (l) The Investor has to its satisfaction been given the opportunity to obtain such additional information as it has considered necessary to evaluate the risks and merits of investing in the Company, to assess, analyze and verify the information contained in the Offering Memorandum and to make a decision to invest in the Company.
- (m) The Investor has, to its satisfaction and to the extent it has seen fit, sought advice from its own professional advisers on the legal, regulatory, tax, investment, currency, economic and other considerations relating to an investment in the Company.
- (n) The Investor's application to invest in the Company is made solely on the basis of the information contained in the Offering Memorandum and this Subscription Agreement, and the Investor has not relied and is not relying on any other information or statement, whether oral or written, express or implied, provided by any person (including the Company, the Dealer, any of their associates and any of their respective partners, members, shareholders, directors, officers, employees, agents or representatives), other than the conclusion of the Dealer and its representatives that an investment in the Shares is suitable or unsuitable for the Investor.
- (o) The Investor's offer to subscribe for the Shares under this Subscription Agreement is unconditional, irrevocable and non-transferable and has not been induced by any warranties or representations with regard to the present or future value of the Shares, that any person will resell or repurchase the Shares, or that any person will refund the purchase price for the Shares except under the rights and restrictions attached to the Shares as set out in the constating documents of the Company.

- (p) The Investor is not applying to invest in the Company solely as a direct result of any form of general solicitation or general advertising, including: (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media (including any publicly accessible website) or broadcast over television or radio; or (ii) any seminar or meeting whose attendees were invited by any general solicitation or general advertising.

Legal Status, Authority and Capacity

- (q) If the Investor is:
- (i) an individual, the Investor has attained the age of majority and has the legal capacity and competence to execute this Subscription Agreement and to take all actions required pursuant to this Subscription Agreement.
 - (ii) a corporation, partnership or other legal entity, (A) the Investor has the legal capacity, authority and competence to enter into and execute this Subscription Agreement and to take all actions required pursuant to this Subscription Agreement, (B) it is duly organized and validly subsisting under the laws of its jurisdiction of incorporation, and (C) all necessary approvals or consents by its directors, shareholders and others have been obtained to authorize execution and performance of this Subscription Agreement on behalf of the Investor.
- (r) The entering into of this Subscription Agreement and the transactions contemplated hereby do not result in the violation of any of the terms and provisions of any law applicable to, or, if applicable, the constating documents of, the Investor, or of any agreement, written or oral, to which the Investor may be a party or by which the Investor is or may be bound.
- (s) The Investor has duly executed and delivered this Subscription Agreement and it constitutes a valid and binding agreement of the Investor enforceable against the Investor in accordance with its terms.

Money Laundering, Sanctions and Related Matters

- (t) The funds representing the aggregate subscription price advanced by the Investor hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) (the “**PCMLTFA**”) and the Investor acknowledges that the Company may in the future be required by law to disclose the Investor's name and other information relating to this Subscription Agreement and the Investor's Subscription hereunder, on a confidential basis, pursuant to the PCMLTFA and: (i) to the best of the Investor's knowledge, none of the subscription funds to be provided by the Investor (A) have been or will be derived from or related to any activity that is deemed criminal under the law of Canada, the United States of America, or any other jurisdiction, or (B) are being tendered on behalf of a person or entity who has not been identified to the Investor; and (ii) the Investor will promptly notify the Company if the Investor discovers that any of such representations ceases to be true, and will provide the Company with appropriate information in connection therewith.

General

- (u) The Investor will not knowingly transfer their Shares in whole or in part to a person without the approval of the Company and will do so only in accordance with applicable securities law.
- (v) The Investor will keep confidential all information provided to the Investor from time to time relating to the business and affairs of the Company, the Dealer and their affiliates and will not distribute or otherwise make available any such information to any other person or otherwise exploit any such information.
- (w) The Investor has signed and delivered to the Company and retained for the Investor's own records one copy of the Risk Acknowledgement Form provided with this Subscription Agreement.
- (x) The Investor will execute and deliver all documentation as may be required by applicable securities legislation or by the Company or the Dealer, as the case may be, to permit the purchase of the Shares on the terms herein set forth or to comply with any filing requirements under applicable Canadian securities laws, and the Investor will deliver such releases or any other documents for income tax purposes, if any, as from time to time may be required by the Dealer, the Company or an affiliate thereof.
- (y) The Investor acknowledges and agrees that, whether or not explicitly stated on the face page of this Subscription Agreement, any acknowledgement, representation, warranty, undertaking, covenant or agreement made by the Investor in this Subscription Agreement, including the schedules hereto, will be treated as if, and be deemed to have been, also made by each person on whose behalf the Investor is contracting.
- (z) The Investor undertakes to immediately notify the Company and the Dealer, at the address set forth in this Subscription Agreement, of any change in any statement or other information set forth in this Subscription Agreement (including all applicable schedules hereto and all other documents delivered in connection therewith) relating to the Investor or any person for whom it is contracting, that takes place prior to the Closing.

5. INVESTOR ACKNOWLEDGMENTS

The Investor acknowledges that:

- (a) no prospectus has been filed with any regulator in connection with the Offering of, and no securities commission or federal, provincial, state or other agency within the Investor's jurisdiction of residence or otherwise has reviewed or passed on the merits of the Shares or made any finding or determination concerning the fairness or advisability of this investment, and there is no government or other insurance covering the Shares;
- (a) the offer, sale and issuance of the Shares is exempt from the prospectus requirements of applicable securities laws and, as a result: (i) certain protections, rights and remedies provided by applicable securities laws, including statutory rights of rescission or damages (except as described in the Offering Memorandum), will not be available to the Investor; and (ii) the Company is relieved from certain obligations to provide information to its securityholders, and the Investor might not receive information about the Company that would otherwise be required to be provided to the Investor under securities legislation if the Company had filed a prospectus under applicable securities legislation;
- (b) interests in the Company are being offered on a "private placement" basis and are not and will not be listed on any stock exchange and will be subject to resale restrictions under applicable securities law, and the Investor further acknowledges that: (i) it is the responsibility of the Investor to find out what those restrictions are and to comply with those restrictions before selling any interest in the Company; and (ii) the Company is not under any obligation to qualify the resale of the Shares under a prospectus or assist the Investor in complying with any exemption from the prospectus requirement or resale restrictions set out under applicable securities laws;
- (c) a legend may be placed on any certificate representing the Shares setting forth resale restrictions under applicable provincial securities laws;
- (d) the offering of Shares under the Offering Memorandum is not subject to a minimum offering amount and, therefore, any funds invested are available to the Company and will be paid to the Company on the completion date of the Subscription and need not be refunded to the Investor unless the completion of the Subscription does not occur;
- (e) the subscription for the Shares pursuant hereto is subject to the acceptance by the Company and to certain other conditions set forth in the Offering Memorandum;
- (f) The Dealer has only provided exempt market dealer services to the Investor in connection with the investment in the Shares, and neither the Company nor the Dealer nor their respective representatives is providing adviser services to the Investor under section 8.26 of National Instrument 31-103 or otherwise;
- (g) (i) there is a significant percentage of common officers and/or common ownership and/or common directors between the Company, the Dealer and First Island Financial Services Ltd. (the "**Manager**") (which manages the Company); (ii) the Dealer's relationship with the Company and the Manager may cause the Dealer to perform due diligence on the Shares offered with a less independent view; and (iii) as a result, while the Dealer has policies and procedures in place to assess whether an investment in the Shares is suitable for the Investor, the Investor understands that it is in their best interest to get independent advice from a trusted professional before they consider purchasing the Shares through the Dealer;
- (h) the representations, warranties, undertakings acknowledgements and confirmations provided by the Investor in this Subscription Agreement are made and given with the intent that they be relied upon by the Company and the Dealer in determining the Investor's eligibility to invest in the Company on a basis exempt from the prospectus requirements of applicable Canadian securities laws; and
- (i) the Investor has been advised to seek independent legal advice in connection with its purchase of the Shares and the Investor confirms that it has not relied on the Company's or the Dealer's legal counsel, in any manner whatsoever in connection with its purchase of the Shares.

6. INDEMNITY

The Investor hereby indemnifies the Company, the Dealer, their affiliates and their respective agents, directors, officers, shareholders and employees against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur or cause arising from the reliance on the representations, certifications and covenants of the Investor contained herein by the Company, the Dealer or their respective affiliates.

7. INFORMATION SECURITY

The Investor acknowledges that the Company, the Dealer or their respective affiliates may communicate with the Investor with respect to this application and, if this application is accepted, the Investor's investment in the Company, via password-protected websites, email, fax and/or phone. The Investor further acknowledges that the confidentiality, security and integrity of electronic communications cannot be guaranteed.

8. SURVIVAL OF REPRESENTATIONS, WARRANTIES, ACKNOWLEDGMENTS AND COVENANTS

All the representations, warranties, acknowledgments and covenants set out in this Subscription Agreement will be true as at the date of the execution of the Subscription Agreement and on the Closing, as if the representations, warranties, acknowledgments and covenants were made at that time and will survive the Closing.

9. PRIVACY CONSENTS

The Investor (on its own behalf and on behalf of any person for whose benefit the undersigned is subscribing) consents to the collection by the Dealer, on behalf of the Company, of personal information (as defined under applicable privacy laws) about the Investor (or each beneficial purchaser, if applicable) for the purpose of completing the transactions contemplated by this Subscription Agreement. The Investor consents to the Company and the Dealer retaining the personal information for as long as permitted or required by law or business practices. The Investor acknowledges that the Company and the Dealer may use the personal information: (i) internally (for the purpose of managing the relationship between and contractual obligations of the Company and the Investor); (ii) for income tax-related purposes; (iii) to demonstrate compliance with securities laws; and (iv) in record books prepared in respect of the offering of the securities contemplated in this Subscription Agreement. The Investor acknowledges that the Company may disclose the personal information: (i) to the Canada Revenue Agency; (ii) to professional advisers of the Company in connection with the performance of their professional services; (iii) as required by securities regulatory authorities, stock exchanges and other regulatory bodies; (iv) to a governmental or other authority to which the disclosure is required by court order or subpoena compelling that disclosure (if there is no reasonable alternative to that disclosure); (v) to a court determining the rights of the parties under this Subscription Agreement; (vi) to any other parties involved in the offering of the securities contemplated in this Subscription Agreement, including legal counsel; (vii) to the Company's registrar and transfer agent (if applicable); and (viii) as otherwise required or permitted by law. In particular, the Investor acknowledges that:

- (i) the Company is required to provide information pertaining to the purchase of the Shares required to be disclosed in Schedule I of Form 45-106F1 under National Instrument 45-106 (including the name, address, telephone number, the number and purchase price of the securities purchased, and details of the prospectus exemption relied upon), which Form 45-106F1 the Company is required to file under National Instrument 45-106;
- (ii) such personal information will be delivered to the British Columbia Securities Commission (the "BCSC") in accordance with National Instrument 45-106;
- (iii) such personal information is being collected indirectly by the BCSC under the authority granted to it in the securities legislation of British Columbia;
- (iv) such personal information is being collected for the purpose of the administration and enforcement of the securities legislation in British Columbia and may be disclosed to the public by such securities regulatory authority in accordance with securities legislation;
- (v) the public official in British Columbia who can answer questions about the BCSC's indirect collection of such personal information is FOI Inquiries at the BCSC, P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, British Columbia V7Y 1L2, Telephone: (604) 899-6854 or 1-800-373-6393 (Toll free in Canada); and
- (vi) the Investor has authorized the indirect collection of the personal information by the BCSC.

The Investor consents to the use and disclosure of the personal information set out in this Section 9.

10. AMENDMENT

Neither this Subscription Agreement nor any provisions hereof will be modified, changed, discharged or terminated except by an instrument in writing, signed by the party against whom any waiver, change, discharge or termination is sought.

11. ASSIGNABILITY

Neither this Subscription Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof will be assignable by either the Company or the Investor without the prior written consent of the other party.

12. FURTHER ASSURANCES

The Investor covenants and agrees to execute and deliver the further documents and to provide the further assurances as may be required by the Company or the Dealer to give effect to this Subscription Agreement.

13. APPLICABLE LAW

This Subscription Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable thereto.

14. INTERPRETATION

The section and other headings contained in this Subscription Agreement are for reference purposes only and will not affect the meaning or interpretation of this Subscription Agreement. Words imparting the neuter gender include the masculine or feminine gender and words in the singular include the plural and vice versa.

15. NOTICES

All notices and other communications provided for herein will be in writing and will be deemed to have been duly given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid or by facsimile or other electronic mails indicating the date of receipt and the signatures of the parties:

- a) If to the Company, at the following address:
c/o First Island Mortgage Investments Ltd.
Suite #101, 727 Fisgard Street
Victoria, B.C. V8W 1R8
Email: investments@firstisland.com
- b) If to the Investor, at the address set out on the signature page of this Subscription Agreement.

16. BINDING EFFECT

The provisions of this Subscription Agreement will be binding upon and accrue to the benefit of the parties and their respective heirs, legal representatives, successors and permitted assigns, as the case may be.

17. NOTIFICATION OF CHANGES

Each party will notify the other party(ies) upon the occurrence before the Closing of any event that would cause a party's representations, warranties or covenants in this Subscription to be false or incorrect.

18. ENTIRE AGREEMENT

This Subscription Agreement, together with all applicable schedules hereto, constitutes the entire agreement between the Investor and the Company with respect to the Shares, and there are no other agreements, warranties, representations, conditions or covenants, written or oral, express or implied, in respect of, or which affect, the purchase of the Shares.

19. COSTS

Except as may otherwise be provided for in this Subscription Agreement, the Investor will bear and pay all costs and expenses incurred by the Investor (including any fees and disbursements of any special counsel retained by the Investor) relating to the sale of the subscribed Shares to the Investor.

20. COUNTERPARTS AND FACSIMILE

This Subscription Agreement may be executed in counterparts or by facsimile or other electronic means or both, each counterpart or facsimile or other electronic means of which will be deemed to be an original, but all of which, taken together, and delivered will constitute one agreement. This Subscription Agreement will not be effective until this Subscription Agreement or a counterpart thereof has been executed and delivered, by facsimile or otherwise, by each party.

**[END OF GENERAL TERMS FOR SUBSCRIPTION OF SHARES OF
FIRST ISLAND MORTGAGE INVESTMENT CORPORATION – SERIES IV LTD.]**