



Offering Memorandum
April 24, 2024

This confidential offering memorandum (“Offering Memorandum”) constitutes an offering of securities only in those jurisdictions and only to those persons to whom they may lawfully be offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities. This Offering Memorandum is for the personal use only of those persons to whom we deliver a copy in connection with this offering for the purpose of evaluating the securities we are offering hereby. By accepting a copy, you agree that you will not transmit, reproduce or make available to anyone, other than your professional advisors or as required by law, this Offering Memorandum or any information contained herein. No person has been authorized to give any other information or to make any other representation concerning this offering that is not contained in this Offering Memorandum. You should not rely on any such other information or representation.

**FORM 45-106F2
OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS**



Continuous Offering

Date: April 24, 2024

THE ISSUER

RESCO FIRST MORTGAGE FUND LP (the “Partnership”)

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Currently Listed or Quoted

No. These securities do not trade on any exchange or market.

Reporting Issuer

No.

THE OFFERING

Securities Offered:

The offering (the “**Offering**”) consists of Class “A” Units and Class “B” Units (the “**Units**”) of the Partnership, denominated in Canadian dollars.

Price Per Security:

Determined by the Asset Manager from time to time and set forth in the subscription agreement(s) entered into between the Subscriber(s) and the Partnership. As of the date of this Offering Memorandum, the price per Unit is \$10.00.

Minimum Offering:

There is no minimum. You may be the only purchaser. Funds available under this offering may not be sufficient to accomplish our proposed objectives.

Maximum Offering:

6,000,000 Class “A” Units (\$60,000,000) and 4,000,000 Class “B” Units (\$40,000,000).

Minimum Subscription Amount: The initial minimum subscription amount for Class “A” Units is \$50,000 (which may be waived in the sole discretion of the Asset Manager).

The initial minimum subscription amount for Class “B” Units is \$150,000 (which may be waived in the sole discretion of the Asset Manager).

For subsequent purchases, the minimum subscription amount for additional Units is \$25,000.

Payment Terms: Bank draft, wire transfer or certified cheque payable to the Partnership or any other manner of payment acceptable to the Asset Manager. Each transaction to complete the sale of Units is a “**Closing**”. All subscription funds will be held in escrow pending Closing for two (2) Business Days (and in any event until midnight on the second Business Day) after the Investor signs the Subscription Agreement.

Proposed Closing Dates: Closings will occur on a continuous basis, generally monthly, as subscriptions are received and accepted, subject to the Asset Manager’s discretion.

Income Tax Consequences: **There are important tax consequences to these securities.** See Item 7 – “*Income Tax Consequences*”.

Insufficient Funds: **Funds available under the Offering may not be sufficient to accomplish the proposed objectives.** See Item 2.6 – “*Insufficient Funds*”.

Compensation to Sellers and Finders: A person has received or will receive compensation for the sale of securities under this Offering. See Item 8 – “*Compensation Paid to Sellers and Finders*”.

RESALE RESTRICTIONS

You will be restricted from selling your securities for an indefinite period. See Item 11 – “*Resale Restrictions*”.

CONDITIONS ON REPURCHASES

You have a right to require the Partnership to repurchase the Units from you, but this right is qualified by a specified price, restrictions and fees. You might not receive the amount of proceeds that you want. See Item 5.1 – “*Term of Securities*”.

PURCHASER’S RIGHTS

You have two (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 for damages or to cancel the agreement. See Item 12 – “*Purchasers’ Rights*”.

NO SECURITIES REGULATORY AUTHORITY 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 9 – “*RISK FACTORS*”.

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ABOUT THIS OFFERING MEMORANDUM

No action has been or will be taken to permit a public offering of the Units in any jurisdiction where action would be required to be taken for such purpose. Accordingly, the distribution or circulation of this Offering Memorandum and the offering and sale of the Units may be restricted by law in certain jurisdictions. This Offering Memorandum does not constitute, and may not be used for or in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Persons into whose possession this Offering Memorandum may come are directed to inform themselves of and observe such restrictions and all legal requirements of their respective jurisdictions of residence in respect of the acquisition, holding and disposition of the Units.

The Units will be issued only on the basis of information contained in this Offering Memorandum, including any Marketing Materials, and provided by the Partnership, and no other information or representation has been authorized or may be relied upon as having been authorized by the Partnership. Any subscription for the Units made by any person on the basis of statements or representations not contained in this Offering Memorandum or so provided, or inconsistent with the information contained herein or therein, shall be solely at the risk of such person. Neither the delivery of this Offering Memorandum at any time nor any sale of any of the Units made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the business and affairs of the Partnership since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

Prospective investors should thoroughly review this Offering Memorandum and are advised to consult with their own legal, investment, accounting, and tax advisors concerning this investment.

All references to “dollars” or “\$” herein, unless otherwise stated, refer to Canadian currency.

RISKY INVESTMENT

There is not or may not be a market for you to sell your investment and there is no assurance that you will be able to find a buyer for this investment at a later date.

This investment is speculative and involves a high degree of risk. Investors should be aware that this investment has not only the usual risks associated with the financial ability of the Issuer to make cash distributions but also risks associated with purchasing, developing and selling of real estate.

There is a risk that this investment will be lost entirely or in part. Only investors who do not require immediate liquidity of their investment and who can afford the loss of their entire investment should consider this investment.

CONFIDENTIALITY

This Offering Memorandum is confidential and has been prepared solely for delivery to and review by selected prospective purchasers of the Units. This copy of the Offering Memorandum is personal to the person to whom it is delivered and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the Units. Distribution of this Offering Memorandum to any person other than the person to whom it is delivered and those persons, if any, retained to advise such person with respect hereto is unauthorized, and any disclosure of any of its contents without the prior written consent of the Partnership is prohibited. Each prospective purchaser, by accepting delivery of this Offering Memorandum, agrees to the foregoing and undertakes to make no photocopies of or to otherwise reproduce, in whole or in part, this Offering Memorandum or any documents relating thereto and, if such prospective

purchaser does not purchase any of the Units or the Offering is terminated, to return promptly this Offering Memorandum and all such documents to the Partnership, if so requested by the Partnership.

APPENDICES

The following appendices are attached to and form part of this Offering Memorandum:

Appendix “1” – Form of Subscription Agreement

FORWARD-LOOKING INFORMATION

This Offering Memorandum may contain “forward-looking information” as such term is defined in the *Securities Act* (Ontario). Forward-looking information is disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action and includes future-oriented financial information with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection. Similarly, a “financial outlook” is forward-looking information about prospective results of operations, financial position or cash flows that is based on assumptions about future economic conditions and courses of action that is not presented in the format of a historical balance sheet, income statement or cash flow statement.

Investors are advised that forward-looking information is subject to a variety of risks, uncertainties and other factors that could cause actual results to differ materially from expectations as expressed or implied herein. Although the forward-looking information contained herein reflects the beliefs and expectations of management of the Partnership at this time, investors are cautioned not to place undue reliance on such information.

DOCUMENTS INCORPORATED BY REFERENCE

In addition to and apart from this Offering Memorandum, the Partnership may utilize certain marketing materials in connection with the Offering (“**Marketing Materials**”), including an executive summary of certain of the material set forth in this Offering Memorandum, fact sheets and investor sales promotion brochures, and presentations. All Marketing Materials are specifically incorporated by reference into and form an integral part of this Offering Memorandum. All Marketing Materials will be delivered or made reasonably available to a prospective purchaser prior to the purchase by such prospective purchaser of Units.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Offering Memorandum to the extent that a statement contained herein or in any other subsequently delivered Offering Memorandum which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

SUMMARY OF THE OFFERING

The following is a summary only and is qualified by the more detailed information appearing elsewhere in this Offering Memorandum. Certain terms used in this Offering Memorandum are defined in the Glossary. All dollar amounts in this Offering Memorandum are in Canadian dollars unless otherwise indicated.

- Issuer:** RESCO First Mortgage Fund LP (the “**Partnership**”) is a limited partnership formed under the laws of Ontario on December 10, 2019. The Partnership provides mortgage financing to selected borrowers as described herein.
- The Offering:** The Partnership is offering Class “A” Units and Class “B” Units (“**Units**”) of the Partnership (the “**Offering**”) on a private placement basis to investors who are eligible to purchase under an exemption from prospectus requirements under National Instrument 45-106.
- The Class “A” Units and Class “B” Units have different characteristics, including but not limited to minimum purchase amounts, distribution targets and hold period as described in the LPA and in this Offering Memorandum.
- Neither Class “A” Units nor Class “B” units have any preference or priority over the other with respect to the distribution of Distributable Cash from the Partnership. In the event of the liquidation, dissolution or winding up of the Partnership or other distribution of assets of the Partnership among its unitholders for the purpose of winding up its affairs, the holders of the Class “A” Units and Class “B” Units shall share in the remaining property of the Partnership on a *pari passu* basis.
- Amounts:** Maximum – 6,000,000 Class “A” Units (\$60,000,000) and 4,000,000 Class “B” Units (\$40,000,000)
- Minimum – None. You may be the only investor.
- Offering Price:** Fair Market Value per Unit, as determined by the Asset Manager from time to time. As of the date of this Offering Memorandum, the Fair Market Value per unit is \$10.00 per Unit, payable in full on Closing.
- Minimum Purchase:** Minimum purchase for Class “A” Units is \$50,000 (5,000 Units).
Minimum purchase for Class “B” Units is \$150,000 (15,000 Units).
Additional investment must be in amounts of not less than \$25,000.
The Asset Manager may in its discretion waive the minimum amount for a particular investor.
- Use of Proceeds:** The net proceeds of the Offering, after deduction of all fees and expenses (including organizational and offering expenses not to exceed \$100,000, amortized over 5 years), will be used by the Partnership to invest in mortgages on real property located primarily in Canada as described under Investment Objectives and Strategies.

General Partner: RESCO First Mortgage Fund GP Corp. (the “**General Partner**”) is the general partner of the Partnership. The General Partner was incorporated under the laws of the Province of British Columbia on November 28, 2019. The General Partner may delegate any of its functions to a third party, including a related party to the General Partner. The General Partner is related to each of the Asset Manager and the Mortgage Administrator.

Asset Manager: Radiance Mortgage Brokerage Inc. (the “**Asset Manager**”) has been engaged to provide portfolio management and mortgage brokerage services to the Partnership, including sourcing, negotiating, and underwriting mortgages. The Asset Manager was incorporated under the laws of the Province of Ontario and is licensed as a mortgage broker in Ontario (Licence # 12430). The Asset Manager is related to each of the General Partner and the Mortgage Administrator.

Mortgage Administrator: 5C Capital Inc. (the “**Mortgage Administrator**”) has been engaged to provide mortgage administration services to the Partnership in respect of its mortgage portfolio, including the collection and administration of mortgage loans payments from mortgagors. The Mortgage Administrator was incorporated under the laws of the Province of Ontario and is licensed as a mortgage administrator in Ontario (Licence # 12431) and a mortgage broker in Alberta and Manitoba. The Mortgage Administrator is related to each of the General Partner and the Asset Manager.

Investment Objectives and Strategies: The investment objective of the Partnership is to acquire and maintain a diversified portfolio of mortgages with the aim of generating income while preserving capital for its investors.

The Partnership aims to generate returns through mortgage interest and through lender, renewal, and other fees paid by borrowers. The interest rates applicable to the Partnership’s mortgage investments are not tied to the prime lending rate of the Bank of Canada. Interest is anticipated to be set based on the overall risk profile of the mortgage application and the overall market demand for private mortgages. The Partnership’s mortgage portfolio composition will vary over time, depending on overall market conditions and outlook.

In general, the Partnership aims to invest in residential first mortgages that bear interest at a rate of 7.99% to 9.99% *per annum*, have a one or two-year term, and require monthly interest-only mortgage payments, with the principal amount due upon maturity. The Partnership may invest in other types of mortgages with other characteristics from time to time.

See Item 2.2.1 – *Mortgage and Lending Arrangements – Investment Restrictions, Policies and Guidelines*”.

Operational Risk Management: The Partnership aims to manage risk through maintenance of a diversified residential mortgage portfolio, conservative underwriting, and diligent mortgage administration. The Partnership intends to invest in mortgages based upon the assessment of the Asset Manager that such

mortgages are suitable and meet its investment strategies and guidelines. The Partnership intends to invest exclusively in residential first mortgages with loan-to-value not to exceed 75% of the appraised value determined within 90 days prior to funding.

Subscription Matters:

Persons interested in investing in the Partnership will be required to complete and return to the Partnership the subscription documents, a copy of which is available to prospective investors upon request. Subscriptions may be rejected in whole or in part in the Asset Manager's sole discretion.

Closings:

Closings will take place monthly on the last business day of each month, or at such other times as may be determined by the Asset Manager, in its sole discretion.

Redemption Rights:

Unitholders may not redeem Units during the first twelve months following the issue date of the subject Units. The General Partner may, in its sole discretion, waive such lock up period.

Thereafter, Unitholders may request redemption of all or part of their Units monthly, as at the last business day of each month (each, a "**Redemption Date**"), in accordance with the below provisions and provided that such Redemption Date occurs following the first anniversary of the initial purchase of the Units being redeemed.

In order to exercise this redemption privilege, redemption requests must be received by the Asset Manager at least 90 days prior to the applicable Redemption Date, in such form and with such supporting documents as the Partnership may prescribe, although the Asset Manager in its sole discretion may waive or reduce the notice period. If 90 days' notice is not given, the Asset Manager is not required to consider redeeming the Units until the following Redemption Date after such 90 day notice period.

The amount payable in respect of each Unit redeemed (the "**Redemption Amount**") is equal to the Fair Market Value of the Unit on the Redemption Date, together with all distributions declared and unpaid as at the Redemption Date. There are no redemption fees, and the Partnership bears its own handling and processing costs, including bank charges. Only whole Units may be redeemed unless the investor's entire investment is being redeemed. Fair Market Value is determined by Asset Manager in accordance with the LPA.

The Redemption Amount payable for redemptions of Class "B" Units more than 12 months but less than 36 months following the issue date of the subject Units are subject to such discounts as set out herein. The General Partner may, in its sole discretion, waive such discounts.

Payment of Redemption Amounts for any Redemption Date is subject to the availability of funds.

There is no obligation to redeem Units on any Redemption Date if the total amounts to be redeemed on such Redemption Date, together with any amounts requested for redemption on a prior Redemption Date and unpaid as of such Redemption Date, exceeds 5% of the aggregate Fair

Market Value of Units outstanding on the Redemption Date (the “**Monthly Redemption Limit**”).

There is also no obligation to redeem Units on any Redemption Date if the total amounts to be redeemed on such Redemption Date, together with any Redemption Amounts paid in the subject fiscal year, plus the total amount to be redeemed or requested for redemption on a prior Redemption Date and unpaid as of such Redemption Date, exceeds 20% of the aggregate Fair Market Value of Units outstanding as at the beginning of the subject fiscal year (the “**Annual Redemption Limit**”).

The date on which any redemption payment is made, generally the 15th of any month, is called a “**Redemption Payment Date**”. There may be multiple Redemption Payment Dates in respect of any given Redemption Date, depending on the Redemption Requests received. Unless a suspension of redemptions or other similar event is in effect, redemption requests are processed and paid in the order in which they are received.

In addition to the Monthly Redemption Limit and Annual Redemption Limit, there are other restrictions on redemption as described below. All redemptions are made subject to and in accordance with the terms of the LPA.

Once the Redemption Amount is fully paid to a Unitholder, such person will cease to be a Unitholder and have no further claims against the Partnership and no further rights to any distributions.

Redemption by the Partnership:

The Asset Manager has the right to require a Unitholder to redeem some or all of the Units owned by such Unitholder on a Redemption Date at the Fair Market Value of such Unit as of the designated Redemption Date, by notice in writing to the Unitholder given at least 30 days before the designated Redemption Date, which right may be exercised by the General Partner in its sole and absolute discretion.

Transfer or Resale:

Units may only be transferred with the consent of the General Partner and transfers will generally not be permitted. The transfer or resale of Units (which does not include a redemption of Units) is also subject to restrictions under applicable securities legislation. See Item 11 – “*Resale Restrictions*”.

Suspension, Rejection or Deferral of Redemptions:

The redemption right is subject to the Partnership’s ability to liquidate its investments in order to meet the Partnership’s redemption requests. The Partnership is obliged to make all reasonable efforts to meet requests for redemption; however, the Partnership may in certain circumstances defer or delay redemption payments where it determines in good faith that the delay is required to protect the interests of the other investors in the Partnership

The General Partner has the discretion to suspend, reject or defer redemptions of Units where:

- the Partnership has a working capital deficiency or such redemptions would cause the Partnership to have a working capital deficiency;
- such redemptions would cause the Partnership to be in default of its financial obligations under bona fide arm's length loan or credit arrangements; or
- such redemptions are otherwise prohibited under applicable laws.

See Item 5.1.3 – “*Redemption of Units*”.

Distributions:

The Partnership does not have a fixed distribution. The Partnership may make quarterly distributions as provided in the LPA in such amounts as the General Partner may in its sole discretion determine, in compliance with the following order of priority:

- first, 100% of Distributable Cash to Unitholders until Unitholders have received a return on their Units for such year (in an amount equal to 6.0% *per annum* for Class “A” Units and 6.5% for Class “B” Units) of their applicable subscription amount; and
- thereafter, the remaining Distributable Cash to the General Partner (the “**General Partner Distribution**”).

For greater certainty, if there is insufficient Distributable Cash to distribute following the priority distribution to Unitholders, the General Partner Distribution will be nil. For any Unitholder who has been a Unitholder for less than the full year, the distribution amount will be calculated on a pro rated basis.

The amount of any distributions is entirely at the discretion of the General Partner and there can be no assurance that the General Partner will make any distributions or distributions at a rate of 6.0% *per annum* for Class “A” Units or 6.5% *per annum* for Class “B” Units in any particular year.

Distributions, if any, will be paid in cash by direct deposit, certified cheque, money order or bank draft.

Fees and Expenses:

Subject to the expense cap below, the Partnership will pay for the following of its operating costs and expenses, including interest and other costs of borrowed money; bank charges; fees and expenses connected with the acquisition, valuation, holding, disposition, and ownership of real property interests or other property, including any legal fees or expenses incurred; taxes such as GST or HST; management fees and administration fees; and commissions in connection with the distribution of securities of the Partnership; general errors and omissions and directors insurance specifically relating to the Partnership’s activities; securityholder recordkeeping and communications; filing and any regulatory fees; audit, accounting and legal fees.

The Partnership's operating expenses, excluding interest and other costs of borrowed money, bank charges, fees and expenses connected with the acquisition, valuation, holding, disposition, and ownership of real property interests or other property, and taxes, will be subject to a cap of 0.50% of the book value of the Units on December 31 of such year, where any operating expenses in excess of such cap will be borne by the General Partner. All other operating expenses of the Partnership not listed above shall be borne by the General Partner. The Mortgage Administrator will be responsible for all expenses relating to enforcement proceedings relating to the Partnership's investments, provided that such expenses may be reimbursed from the fees payable by borrowers who are parties to such enforcement proceedings, to the extent that such fees are paid.

Each of the General Partner, the Asset Manager, and the Mortgage Administrator is responsible for its own operations, including rent, salaries, furniture and fixtures, and all other office equipment and will pay all of its overhead costs and expenses relating to the provision of its services to the Partnership.

For expenses incurred by the Asset Manager in connection with the investment activities of the Partnership and in connection with services provided to other clients of the Asset Manager, the Asset Manager shall only be reimbursed for such portion of such expenses as is determined fair and reasonable to allocate to the Partnership as between the Partnership and such other clients.

Sales Commission:

No sales commissions are payable directly by an investor to the Asset Manager or to the General Partner in connection with the purchase of Units. Subject to applicable law, the Partnership may pay a negotiated upfront and trailing commission to Registered Dealers in connection with the sale of Units.

On Class "A" Units, Registered Dealers will be paid an upfront commission of up to 1.00% of the total gross subscription proceeds for Units placed by such Registered Dealer; plus a semi-annual trailing commission of up to 0.50% of the book value of Units held by investors who purchased their Units from the Registered Dealer. Such trailing commission is payable at the end of each six-month period that the applicable Units have been held by the investor after the initial twelve months. No trailing commission will be payable on Units which have been redeemed or otherwise transferred, withdrawn or returned.

On Class "B" Units, Registered Dealers will be paid an upfront commission of up to 4.00% of the total gross subscription proceeds for Units placed by such Registered Dealer.

**Asset Manager
Compensation:**

Under the Asset Management Agreement, the Partnership shall pay to the Asset Manager, as compensation for its services, a management fee up to 0.25% per annum of the Total Mortgages of the Partnership, calculated, aggregated, and paid monthly in arrears, in each case plus applicable taxes.

As additional compensation for its services, the Asset Manager shall be entitled to retain 10% of any and all lender fees generated from mortgage investments made by the Partnership; the remaining 90% shall belong to the Partnership. Any other charges or fees generated from mortgage investments made by the Partnership shall belong to the Partnership, subject to any charges or fees retained by the Mortgage Administrator.

Mortgage Administrator Compensation:

Under the Mortgage Administration Agreement, the Partnership shall pay to the Mortgage Administrator, as compensation for its services, an administration fee up to 0.25% *per annum* of the Total Mortgages the Partnership, calculated, aggregated, and paid monthly in arrears, in each case plus applicable taxes.

As additional compensation for its services, the Mortgage Administrator shall be entitled to retain all discharge administration fees, NSF fees, late payment fees, demand letter fees, insurance cancellation fees, default proceedings fees, and statement fees generated from mortgage investments made by the Partnership. Any other charges or fees generated from mortgage investments made by the Partnership shall be retained by the Partnership, subject to any charges or fees retained by the Asset Manager.

Organizational and Offering Expenses:

The Partnership will bear its organizational and offering expenses, including the out-of-pocket expenses of the General Partner and its agents actually incurred in the formation of the Partnership, up to a cap of \$100,000. Any excess expenses shall be borne by the General Partner. .

Valuation of the Assets:

The Partnership calculates the Fair Market Values of its Units on each Closing Date and Redemption and otherwise from time to time.

Units are issued and redeemed at Fair Market Value per Unit. The General Partner expects that absent extraordinary circumstances, Fair Market Value per Unit will be \$10. However, there is no guarantee that the Partnership can maintain Fair Market Value at \$10 per Unit.

Participation in Syndicated Mortgages:

The Partnership is authorized to participate in mortgage syndications. The syndication may be arranged by a third party or Asset Manager. All mortgage investment opportunities originated by Asset Manager will be allocated to the Partnership in priority to any third party lender, and only where deemed appropriate to achieve optimal investment size and targeted portfolio construction in the Partnership.

Co-Investment:

The Asset Manager, the Mortgage Administrator or any of its officers, shareholders, employees or affiliates (“**RESCO Related Parties**”), may purchase for their own account and own as a co-lender, a percentage interest in any investment held by the Partnership. In respect of such co-investment in mortgages, the Partnership will generally participate in a senior position and the RESCO Related Parties will generally participate in a subordinate position.

Use of Leverage:

The Partnership may pursue a leveraged investment strategy by incurring or issuing debt obligations. This is intended to increase

returns by taking advantage of the difference between the interest earned on the investments made and the cost of borrowing the money to make such investments, provided that the Asset Manager is satisfied that that such strategy is in the best interests of the Partnership, and is likely to enhance the Partnership's profitability.

The Partnership entered into a Credit Agreement with a Schedule I Canadian bank which provides for a revolving credit facility (the "**Credit Facility**") bearing interest at such bank's prime rate plus 1.50% pursuant to which the Partnership may borrow and re-borrow up to \$30,000,000, provided that outstanding borrowings may not exceed a specified percentage of the Partnership's receivables under certain first fixed mortgages on residential properties. The Partnership's obligations under the Credit Facility will be secured by all personal property of the Partnership, including the Partnership's mortgage portfolio. In the event of liquidation or wind-up of the Partnership, the Partnership's creditors (including such bank) will be repaid prior to any distribution or return of capital to the Unitholders or holders of other equity interests in Partnership.

See Item 2.2.1 – "*Mortgages and Lending Arrangements – Use of Leverage*" and Item 9 – "*Risk Factors*".

Other Risk Factors:

The purchase of Units involves a number of risk factors and is suitable only for investors who are aware of the risks inherent in real estate investing and who have the ability and willingness to accept the risk of loss and have no immediate need for liquidity. See Item 9 – "*Risk Factors*".

Legal Counsel:

WeirFoulds LLP are the legal counsel to the Partnership for this Offering.

Auditors:

Rosenswig McRae Thorpe LLP are the auditors of the Partnership.

GLOSSARY OF TERMS

The following are definitions of certain terms used in this Offering Memorandum:

“**Accredited Investor**” has the meaning ascribed to such term in NI 45-106.

“**Asset Management Agreement**” means the agreement dated January 2, 2020 between the Asset Manager and the Partnership, as amended from time to time.

“**Asset Manager**” means Radiance Mortgage Brokerage Inc., or another entity acting as asset manager to the Partnership, as appointed by the General Partner from time to time.

“**Business Day**” means a day other than a Saturday, Sunday or any other day treated as a holiday in the municipality of Toronto, Canada.

“**Class “A” Unit**” means a Unit designated as Class “A”.

“**Class “B” Unit**” means a Unit designated as Class “B”.

“**CRA**” means the Canada Revenue Agency.

“**Credit Facility**” means the revolving demand credit facility of up to \$30,000,000 established in favour of the Partnership pursuant to a Credit Agreement dated January 27, 2022 between the Partnership and a Schedule I Canadian bank.

“**Distribution Date**” means, with respect to a distribution by the Partnership, the payment date for such distribution, being the last Business Day of a calendar month (for distributions in respect of the preceding calendar month), or if such date is not a Business Day then the next following Business Day, or such other date, if any, as is determined under the LPA.

“**Distributable Cash**” means, for any period, the net income of the Partnership for such period set out in its financial statements as determined in accordance with IFRS, subject to certain adjustments, including: (a) adding back the following items: depreciation, amortization (except for amortization of deferred financing costs, future income tax expense, losses on dispositions of assets and amortization of any net discount on long-term debt assumed from vendors of properties at rates of interest less than fair value); and (b) deducting future income tax credits, and any other adjustments determined by the General Partner in its discretion.

“**Fair Market Value**” means, with respect to the assets of the Partnership, the fair market value thereof, and with respect to the Units or a class of Units, the fair market value of the Units or class, in each case determined by the General Partner in its sole discretion from time to time, acting reasonably. The Fair Market Value of Units or a class of Units is generally based upon the price at which Units were most recently offered for sale, and adjusted as the General Partner may deem to be fair and equitable, including to reflect profits and losses to the date of determination. In determining Fair Market Value, the General Partner shall be entitled, in its sole discretion, acting reasonably, to deduct such amounts that it considers to be proper allowances, reserves, deductions, disbursements and/or outgoings applicable thereto, including, without limitation, such sums as it considers necessary and advisable from time to time as being on account of depreciation, depletion, deterioration or obsolescence of the assets of the Partnership. The General Partner may also take into account the liabilities of the Partnership as at the specified date (without regard to any subscriptions or redemptions on such date), including embedded tax liabilities and selling costs in respect of the assets of the Partnership.

“**General Partner**” means RESCO First Mortgage Fund GP Corp. in its capacity as the general partner of the Partnership.

“**IFRS**” means International Financial Reporting Standards.

“**Investor**” or “**Subscriber**” means a purchaser of Units pursuant to this Offering.

“**LPA**” means the limited partnership agreement of the Partnership dated December 10, 2019, as amended and restated from time to time.

“**LTV**” means the loan-to-value ratio of a property, calculated by the total amount of principal secured by mortgage(s) against the property divided by the appraised value of the property, expressed as a percentage.

“**mortgage**” means a mortgage, mortgage of a leasehold interest or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage, hypothecation, deed of trust, charge or other security interest of or in real property used to secure obligations to repay money by a charge upon the underlying real property, and may include senior debt, subordinated debt, mezzanine debt, and bridge loans.

“**Mortgage Administration Agreement**” means the agreement dated January 2, 2020 between the Mortgage Administrator and the Partnership, as amended from time to time.

“**Mortgage Administrator**” means 5C Capital Inc., a corporation governed by the laws of the Province of Ontario, that is engaged by the Asset Manager, on behalf of the Partnership, for the purposes of servicing and administering the mortgage assets of the Partnership.

“**NI 45-106**” means National Instrument 45-106 *Prospectus Exemptions*, as amended from time to time.

“**Offering**” means the offering of Units of the Partnership on a continuous basis pursuant to this Offering Memorandum.

“**Offering Memorandum**” means this confidential offering memorandum, as may be amended or amended and restated.

“**Offering Memorandum exemption**” means the exemption from the prospectus requirements available under section 2.9 of NI 45-106.

“**Partnership**” means RESCO First Mortgage Fund LP, a limited partnership formed under the laws of Ontario.

“**Person**” means an individual, partnership, limited partnership, corporation, unlimited liability company, trust, unincorporated organization, association, government, or any department or agency thereof and the successors and assigns thereof or the heirs, executors, administrators or other legal representatives of an individual, or any other entity recognized by law.

“**real property**” means land, rights or interest in land (including without limitation leaseholds, air rights and rights in condominiums, but excluding mortgages), and any buildings, structures, improvements and fixtures located thereon.

“**Redemption Request**” means, with respect to the Units, a written notice in prescribed form, duly completed by the Unitholder, requesting the Partnership to redeem the Units specified therein.

“**Registered Dealer**” means a person or company registered as an investment dealer or exempt market dealer under applicable Canadian securities laws.

“**RESCO MIC**” means RESCO Mortgage Investment Corporation.

“**Subscriber**” means a Person purchasing Units pursuant to this Offering.

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.), as amended.

“**Total Mortgages**” means the sum of all the principal amounts of the mortgage assets of the Partnership.

“**Unitholder**” means a holder of record of any Unit.

“**Unit**” means a unit of interest in the Partnership.

ITEM 1 USE OF AVAILABLE FUNDS

1.1 Funds

The funds of the Offering that will be available to the Partnership after the Offering are as follows:

| | | Assumed Maximum Offering of \$100,000,000 ⁽¹⁾ |
|---|--|---|
| A | Amount to be raised by this offering ⁽¹⁾ | \$100,000,000 |
| B | Selling commissions and fees ⁽²⁾ | \$2,200,000 |
| C | Estimated offering costs (e.g. legal, accounting, audit) | \$100,000 |
| D | Net proceeds: $D = A - (B + C)$ | \$97,700,000 |
| E | Additional sources of fund required | \$0 |
| F | Working capital deficiency | \$0 |
| G | Total: $G = (D + E) - F$ | \$97,700,000 |

Notes:

- (1) There is no minimum offering. The maximum offering is 6,000,000 Class "A" Units (\$60,000,000) and 4,000,000 Class "B" Units (\$40,000,000).
- (2) The Partnership sells Units through Registered Dealers authorized to do so. It is expected that the Partnership will pay an upfront commission to such dealers of up to 1% of the total gross subscription proceeds for Class "A" Units placed and up to 4.00% of the total gross subscription proceeds for Class "B" Units placed. The Partnership will also pay a semi-annual trailing commission of up to 0.50% of the total gross subscription proceeds for Class "A" Units, payable at the end of each six-month period that the applicable Units are held by the investor after the initial twelve months. No trailing commission will be payable on Units which have been redeemed or otherwise transferred, withdrawn or returned. The Partnership is responsible for the payment of upfront commissions to Registered Dealers, which will accordingly reduce the investment proceeds available to the Partnership. See Item 8 – "*Compensation Paid to Sellers and Finders*".

1.2 Use of Available Funds

A detailed breakdown of how the Partnership will use the available funds is as follows:

| Description of intended use of net proceeds listed in order of priority | Assumed Maximum Offering of \$100,000,000 ⁽¹⁾ |
|--|---|
| The net proceeds from the sale of this Offering will be used by the Partnership to invest in residential first mortgages in Canada, as described under " <i>Business of the Partnership</i> " below. | \$97,700,000 ⁽²⁾ |

Notes:

- (1) There is no minimum offering. The maximum offering is 6,000,000 Class "A" Units (\$60,000,000) and 4,000,000 Class "B" Units (\$40,000,000).
- (2) It is intended that the available funds from the Offering will be fully invested in mortgages. Funds that are not immediately invested may be applied against amounts outstanding under the Credit Facility to reduce debt until acceptable mortgage investment opportunities are identified. The Credit Facility is a revolving credit facility, and any funds applied to pay amounts outstanding thereunder may be re-advanced to the Partnership, including for mortgage investments. See Item 2.2.1 – "*Mortgage and Lending Arrangements – Use of Leverage*". Alternatively, the Partnership may deposit such funds in short-term deposits, savings accounts or government guaranteed investment certificates.).

1.3 Reallocation

The Partnership intends to spend the available funds as stated herein. The Partnership will reallocate funds only for sound business reasons.

ITEM 2 BUSINESS OF THE PARTNERSHIP

2.1 Structure

2.1.1 The Partnership

RESCO First Mortgage Fund LP (the “**Partnership**”) is a limited partnership formed under the laws of Ontario on December 10, 2019. The Partnership provides mortgage financing to selected borrowers. RESCO First Mortgage Fund GP Corp. (the “**General Partner**”) is the general partner of the Partnership.

The General Partner was incorporated under the laws of the Province of British Columbia on November 28, 2019. The General Partner may delegate any of its functions to a third party, including a related party to the General Partner. The General Partner is related to each of the Asset Manager and the Mortgage Administrator.

2.1.2 The Asset Manager

The day-to-day management of the Partnership is carried out by Radiance Mortgage Brokerage Inc. (the “**Asset Manager**”, who has been engaged to provide portfolio management and mortgage brokerage services, including sourcing, negotiating, and underwriting mortgages. The Asset Manager was incorporated under the laws of the Province of Ontario and is licensed as a mortgage broker in Ontario (Licence # 12430). See Item 2.7.3 – “*Asset Management Agreement*”.

The Asset Manager is related to each of the General Partner and the Mortgage Administrator.

2.1.3 The Mortgage Administrator

5C Capital Inc. (the “**Mortgage Administrator**”) has been engaged to provide mortgage administration services to the Partnership in respect of its mortgage portfolio. The Mortgage Administrator was incorporated under the laws of the Province of Ontario and is licensed as a mortgage administrator in Ontario (Licence # 12431) and a mortgage broker in Alberta and Manitoba. See Item 2.7.4 “*Mortgage Administration Agreement*”.

The Mortgage Administrator is related to each of the General Partner and the Asset Manager.

2.2 The Business

2.2.1 Mortgages and Lending Arrangements

The investment objective of the Partnership is to acquire and maintain a diversified portfolio of mortgages with the aim of generating income while preserving capital for its investors. Such mortgages may be new loans originated by the Manager, or existing mortgages acquired by the Partnership from third parties on the advice of the Manager.

The demand for private mortgages has increased in recent years due to federal regulatory changes aimed at tightening mortgage lending rules for major financial institutions. The Partnership, as a private lender, is not subject to the strict lending guidelines generally associated with chartered banks and other traditional lenders. The Partnership is therefore better positioned to provide tailored solutions to borrowers than most traditional lenders, and can complete the structuring, due diligence and funding of loans within a shorter timeframe than most chartered banks and traditional lenders.

The Partnership aims to generate returns through mortgage interest and through lender, renewal, and other fees paid by borrowers. The interest rates applicable to the Partnership's mortgage investments are not tied to the prime lending rate of the Bank of Canada. Interest is anticipated to be set based on the overall risk profile of the mortgage application and the overall market demand for private mortgages. The Partnership's mortgage portfolio composition will vary over time, depending on overall market conditions and outlook.

Types of Mortgages

The Partnership will lend exclusively on loans secured by first mortgages secured against residential real estate. In general, the Partnership's mortgage portfolio will consist of mortgages which bear interest at a rate of 7.99% to 9.99% *per annum*, have a one or two-year term, and require monthly interest-only mortgage payments, with the principal amount due upon maturity.

Mortgage Selection Process

The Partnership invests in a mortgage based upon the assessment of the Asset Manager that it is suitable and meets its investment policies and guidelines. See "*Investment Restrictions, Policies and Guidelines*" below. All properties will be evaluated on the basis of certain factors, including but not limited to, the location, quality and prospects for capital appreciation. In addition, the credit of the borrower will also be reviewed and, where appropriate, additional security will be obtained.

In considering a mortgage proposal, the Asset Manager will adhere to strict underwriting policies which include:

1. Obtaining a credit application from the borrower(s) and any guarantor(s);
2. Obtaining a credit report on both the borrower(s) and any guarantor(s);
3. Obtaining an appraisal prepared by an accredited appraiser with the designation of C.R.A. or A.A.C.I. or their successors, or in the alternative from time to time the Asset Manager may rely upon an opinion of value furnished by a reputable realtor who may be equally or better equipped to provide an accurate evaluation of a particular property as a consequence of specialized expertise relating to that particular type of property or with respect to the particular geographic area in which the subject property is located;
4. When applicable, the Asset Manager will obtain a "Purview for Lenders" report by Teranet which confirms property ownership, checks for potential suspicious or fraudulent activity and provides an equity estimate that shows all mortgages including institution name, and date issued on all un-amortized loans on title.

As part of approving each mortgage, the Asset Manager will consider the proposed loan terms and complete a preliminary analysis based on information received from the prospective borrower. If the preliminary analysis is positive, the Asset Manager will complete due diligence, including credit checks, financial statements and personal net worth statements of the prospective borrower(s) and any guarantor(s); internet

searches; third party reports (such as valuation appraisals and surveyor reports) and other documents. The Asset Manager will review the results of due diligence and make a lending decision.

Upon approval by the Asset Manager of a mortgage opportunity, the Partnership will appoint legal counsel to conduct the required enquiries and searches, prepare legal documents and obtain title insurance. The Asset Manager may obtain advice from an insurance consultant whether the current and/or proposed insurance coverage is adequate. The Partnership then advances funds for the mortgage to legal counsel acting on behalf of the Partnership. Legal counsel registers the mortgage and other security documents and ensures all conditions are satisfied before releasing funds to the borrower. After the mortgage funds are advanced, the Mortgage Administrator assumes day-to-day administration of the mortgage.

New mortgage investments are approved by the Asset Manager following the procedures summarized above. The Asset Manager will determine whether the mortgage investment opportunity is suitable for the Partnership, having regard to the Partnership's investment objectives, strategies and restrictions. The Asset Manager invests on behalf of the Partnership in mortgages across Ontario, Manitoba, Alberta and British Columbia, with a view to maintaining a portfolio that is diversified from a geographical, market and product type perspective. The composition of the Partnership's mortgage portfolio might vary from time to time depending upon market conditions and the general Canadian economic outlook. The Asset Manager will re-balance the geographical mix in response to market conditions and opportunities.

Investment Restrictions, Policies and Guidelines

The Partnership has engaged the Asset Manager to build a mortgage portfolio which follows the guidelines and policies below in assessing individual mortgage investment opportunities which will result in the minimization of risk. Subject to the right of the Partnership, in consultation and upon notice to the Manager, to revise the following restrictions from time to time, the Partnership has established certain restrictions on investments that may be made by it as follows:

1. The Partnership's only undertaking will be to invest the Partnership's funds in accordance with its investment objectives, strategies and restrictions;
2. 100% of the Partnership's mortgage portfolio will be first mortgages;
3. 100% of the Partnership's mortgage portfolio will be secured against residential real estate in Canada;
4. The Partnership's mortgage portfolio will not consist of commercial or mixed-use properties; and
5. The Partnership's mortgage portfolio will not consist of land development loans.

Mortgages will be syndicated when it is deemed appropriate to minimize risk. By limiting the Partnership's loan portfolio participation in large individual investments, the Partnership will have the benefits of increased portfolio diversification.

The following conditions will apply to mortgages made by the Partnership:

1. The LTV for any particular mortgage investment will vary depending on a number of factors including the location, marketability and condition of the property. In any event, the Partnership will lend only up to 75% of the value of any particular property as established by an appraisal or an opinion of value.

2. Mortgage repayment schedules will consist primarily of interest-only monthly payments. From time to time, the Partnership will lend on mortgages with repayment schedules of principal and interest, payable monthly and amortized over 15 to 35 years.
3. Although the term of any single mortgage may be longer, mortgage terms will generally be two years or less.
4. Mortgage investments will be denominated in Canadian Dollars.
5. Following funding, all of the Partnership's mortgages will be registered on title to the subject property in the name of RESCO First Mortgage Fund LP, or a nominee bare trustee on behalf of the Partnership including the Mortgage Administrator.
6. In order to renew or extend a mortgage loan, the Partnership may increase the loan amount to cover, among other items, renewal fees, extension fees, or legal fees, so long as any increase in the amount of the loan does not result in the total loan amount exceeding 75% of the most recent valuation of the property.
7. Mortgages in which the Partnership invests may contain clauses permitting the mortgagor, when not in default, to renew the mortgage for additional terms at the sole discretion of the Asset Manager.

In dealing with a default by a borrower of a mortgage within the Partnership's portfolio, the investment policies and practices may change based on individual situations. For example, to mitigate losses that may occur in the power of sale or foreclosure process, the Partnership may advance a new mortgage to a borrower to finance the purchase of the real property with flexible terms at the prevailing market price.

The Partnership, on the advice of the Manager, may from time to time and on such terms as set out by the Manager acting reasonably, sell its investments in mortgages and reinvest the proceeds, acquire investments in mortgages held by other mortgagees, or exchange such investments for other investments in mortgages.

The Partnership's investment policies and practices set out above may be amended, supplemented, replaced or waived from time to time or in respect to specific mortgages on a case-by-case basis by the General Partner.

Risk Mitigation

The Partnership's mortgage portfolio exclusively contains loans secured by first mortgages on residential properties. To mitigate the concentration risk, the Partnership invests in a greater number of smaller mortgages, as opposed to fewer mortgages for larger amounts. This helps to minimize the potential impact of a default under any particular mortgage. To mitigate the risks associated with market trends in any particular geographic area, the Partnership maintains a geographically diversified portfolio. The Partnership's portfolio will include mortgages in Alberta, Manitoba and Ontario. Within Ontario, the Partnership will make mortgage loans in markets across Southwestern Ontario, including the Greater Toronto Area, Guelph, Kitchener, Waterloo, and London.

As an equity lender, the Partnership's lending practice is based more on the marketability and value of the property rather than the income of the borrower. However, the Partnership may request that borrowers provide a copy of their notice of assessment, bank statements, and pay stubs, etc. in order to evaluate their capacity to make their mortgage payments.

The Partnership's capacity to recover its loan investment in the event of a borrower's default depends on the value of the mortgaged property securing that loan. One of the key factors that lenders use to assess the risks associated with a mortgage is to calculate the LTV. The higher the LTV, the greater the risk for the lender. In order to establish an accurate LTV, the Asset Manager obtains an appraisal report on the property to be mortgaged. Appraisals may not be more than 90 days old, and must have been completed by appraiser from a list of approved appraisers determined by the Asset Manager. To further validate the appraised value and ensure the value is not overstated, the Asset Manager will obtain a "Purview for Lenders" report by Teranet which provides the estimated value of the property to be cross-referenced to the appraised value.

The Partnership practices conservative underwriting, especially for the Greater Toronto Area, where the Partnership makes a significant proportion of its mortgage loans.

To further minimize risk, a large portion of the Partnership's mortgage portfolio will be short-term, between one to two years, allowing quick and precise adjustments to changing market conditions. A shorter term reduces the overall exposure to rate changes and other factors, making it a better credit risk than long-term loans.

Use of Leverage

The Partnership may pursue a leveraged investment strategy by incurring or issuing debt obligations against the net book value of the assets. The Partnership may borrow money (including drawing on a line of credit) in an attempt to increase returns by taking advantage of the difference between the interest earned on the investments made and the cost of borrowing the money to make such investments where such financing is available, and it is economical and prudent to do so, provided that the Asset Manager is satisfied that that such debt financing is in the best interests of the Partnership, and is likely to enhance the Partnership's profitability. Such debt financing may take the form of lines of credit from banks and other lending institutions and/or promissory notes and other types of debt contracts with individuals and companies. Debt instruments may be secured against the assets of the Partnership, and in the event of liquidation or wind-up, they will be repaid prior to any distribution or return of capital to the Unitholders or holders of other equity interests in Partnership.

The Partnership entered into a Credit Agreement dated January 27, 2022 with a Schedule I Canadian bank which provides for the Credit Facility, a revolving credit facility bearing interest at such bank's prime rate plus 1.50% pursuant to which the Partnership may borrow and re-borrow up to \$30,000,000, provided that outstanding borrowings may not exceed a specified percentage of the Partnership's receivables under certain first fixed mortgages on residential properties. Amounts outstanding under the Credit Facility are repayable on demand. The Partnership's obligations under the Credit Facility will be secured by all personal property of the Partnership, including the Partnership's mortgage portfolio. The Partnership must comply with certain positive and negative covenants, and meet certain financial covenants in order to maintain the Credit Facility in good standing. In the event of liquidation or wind-up of the Partnership, the Partnership's creditors (including such bank) will be repaid prior to any distribution or return of capital to the Unitholders or holders of other equity interests in Partnership.

The Partnership may fund its activities using funds borrowed under the Credit Facility, and apply the proceeds of the Offering to reduce its indebtedness under the Credit Facility. Similarly, the Partnership may apply funds raised from closings under the Offering to pay amounts outstanding under the Credit Facility pending the identification of acceptable mortgage investment opportunities. The Credit Facility is a revolving credit facility, and accordingly, any funds applied to reduce the Partnership's outstanding indebtedness may be re-advanced to the Partnership as and when required. The Credit Facility is expected to provide the Partnership with flexibility to fund mortgage loans, as well as operating expenses, dividend distributions, and redemptions of Units between closings under the Offering. If the Credit Facility does not

close, the Partnership will continue to fund its operations and use the proceeds of the Offering as described elsewhere in this Offering Memorandum.

Please refer to Item 9 – “*Risk Factors*” for risks associated with the use of leverage.

Co-Investment with Related Lender

RESCO Mortgage Investment Corporation (“RESCO MIC”) is a federal corporation incorporated on November 21, 2013 and is a “Mortgage Investment Corporation” for the purposes of the Tax Act. It commenced raising funds through the offering of its Class “B” Preferred Shares in March 2014.

RESCO MIC is a related party to the Partnership because the shareholders, directors and officers of RESCO MIC are also the shareholders, directors and officers of the General Partner.

RESCO MIC carries on business as a private mortgage lender as the Partnership does, but the lending objectives and guidelines of RESCO MIC differ from those of the Partnership. Whereas the Partnership intends to lend exclusively on residential first mortgages of LTVs up to 75%, RESCO MIC has historically invested in second mortgage (and in rare cases, third mortgages) with LTVs above 75% on both residential and commercial properties, up to a pre-set proportion.

As a result, the General Partner expects that the Partnership and RESCO MIC will be able to offer complementary lending products to borrowers in accordance with each lender’s lending objectives and guidelines. The Asset Manager and the Mortgage Administrator are also engaged by RESCO MIC to provide services similar to those being provided by each of them respectively to the Partnership.

The Partnership may purchase for their own accounts and own a percentage interest in any investment held by RESCO MIC, provided that the Partnership shall at all times hold the senior portion in any mortgage which is presented to the Partnership for investment.

2.2.2 Other Investments

When not invested in mortgages, excess funds may be placed in CDIC insured investments including investments guaranteed by the Government of Canada, a province or territory of Canada, or interest-bearing cash deposits, deposit notes, certificates of deposit notes, certificates of deposit acceptance notes or other similar instrument issued, endorsed or guaranteed by a Schedule I or Schedule II Canadian chartered bank. The Partnership may directly or indirectly hold investments other than mortgages, provided any such investments are consistent with the LPA.

2.2.3 Fees and Expenses

Management Fee

The Partnership shall pay to the Asset Manager, as compensation for its services, a management fee up to 0.25% *per annum* of the Total Mortgages of the Partnership, calculated, aggregated, and paid monthly in arrears, in each case plus applicable taxes.

As additional compensation for its services, the Asset Manager shall also be entitled to retain 10% of any and all fees generated from mortgage investments made by the Partnership; the remaining 90% shall belong to the Partnership. Such fees include:

- any and all lender fees generated from mortgage investments made by the Partnership;

- ancillary fees as set out in the loan and security documents with the borrowers as compensation or reimbursement for overhead expenses. Such ancillary fees are payable only to the extent that they are recovered from the borrowers. Ancillary fees include (but are not limited to) fees for statements, late payments, enforcement, insurance, inspections, fees for NSF cheques and defaults;
- fees in respect of any property management or financing services provided to the Partnership and such fees and services shall be negotiated and agreed by the parties from time to time. In no event will the Asset Manager be paid a fee which is greater than fair market value for the service; and
- organization, origination (upfront lender) or extension fees payable by borrowers, which fees shall be in amounts generally consistent with market rates.

Any other charges or fees generated from mortgage investments made by the Partnership shall belong to the Partnership, subject to any charges or fees retained by the Mortgage Administrator.

Administration Fee

The Partnership shall pay to the Mortgage Administrator, as compensation for its services, an administration fee up to 0.25% *per annum* of the Total Mortgages of the Partnership, calculated, aggregated, and paid monthly in arrears, in each case plus applicable taxes.

As additional compensation for its services, the Mortgage Administrator shall be entitled to retain all discharge administration fees, NSF fees, late payment fees, demand letter fees, insurance cancellation fees, default proceedings fees, and statement fees generated from mortgage investments made by the Partnership. Any other charges or fees generated from mortgage investments made by the Partnership shall be retained by the Partnership, subject to any charges or fees retained by the Asset Manager.

Operating Expenses

The Partnership will pay for the following of its operating costs and expenses:

- (a) interest and other costs of borrowed money;
- (b) bank charges;
- (c) fees and expenses connected with the acquisition, valuation, holding, disposition, and ownership of real property interests or other property, including any legal fees or expenses incurred;
- (d) taxes such as GST or HST;
- (e) management fees and administration fees;
- (f) commissions payable in connection with the distribution of securities of the Partnership;
- (g) general errors and omissions and directors insurance specifically relating to the Partnership's activities;
- (h) expenses in connection with payments for the distributions of Units of the Partnership and fees and other compensation to Registered Dealers and non-registrants in connection with distributions of Units;

- (i) expenses in connection with communications to the Unitholders and the other bookkeeping and clerical work necessary in maintaining relations with the Unitholders;
- (j) expenses of changing or terminating the Partnership;
- (k) fees and charges of transfer agents, registrars, indenture trustees and other trustees and custodians; and
- (l) all fees, expenses, taxes and other costs incurred in connection with the issuance, distribution and transfer to the public of Units and any required governmental filings.

All other operating expenses of the Partnership will be subject to a cap of 0.50% of the book value of the Units on December 31 of such year, where any operating expenses in excess of such cap will be borne by the General Partner. All other operating expenses of the Partnership not listed above shall be borne by the General Partner. The Mortgage Administrator will be responsible for all expenses relating to enforcement proceedings relating to the Partnership's investments, provided that such expenses may be reimbursed from the fees payable by borrowers who are parties to such enforcement proceedings, to the extent that such proceeds are paid.

Each of the General Partner, the Asset Manager and the Mortgage Administrator is responsible for its own operations, including rent, salaries, furniture and fixtures, and all other office equipment and will pay all of its overhead costs and expenses relating to the provision of its services to the Partnership.

For expenses incurred by the Asset Manager in connection with the investment activities of the Partnership and in connection with services provided to other clients of the Asset Manager, the Asset Manager shall only be reimbursed for such portion of such expenses as is determined fair and reasonable to allocate to the Partnership as between the Partnership and such other clients.

2.3 Development of the Business

2.3.1 Establishment of the Partnership

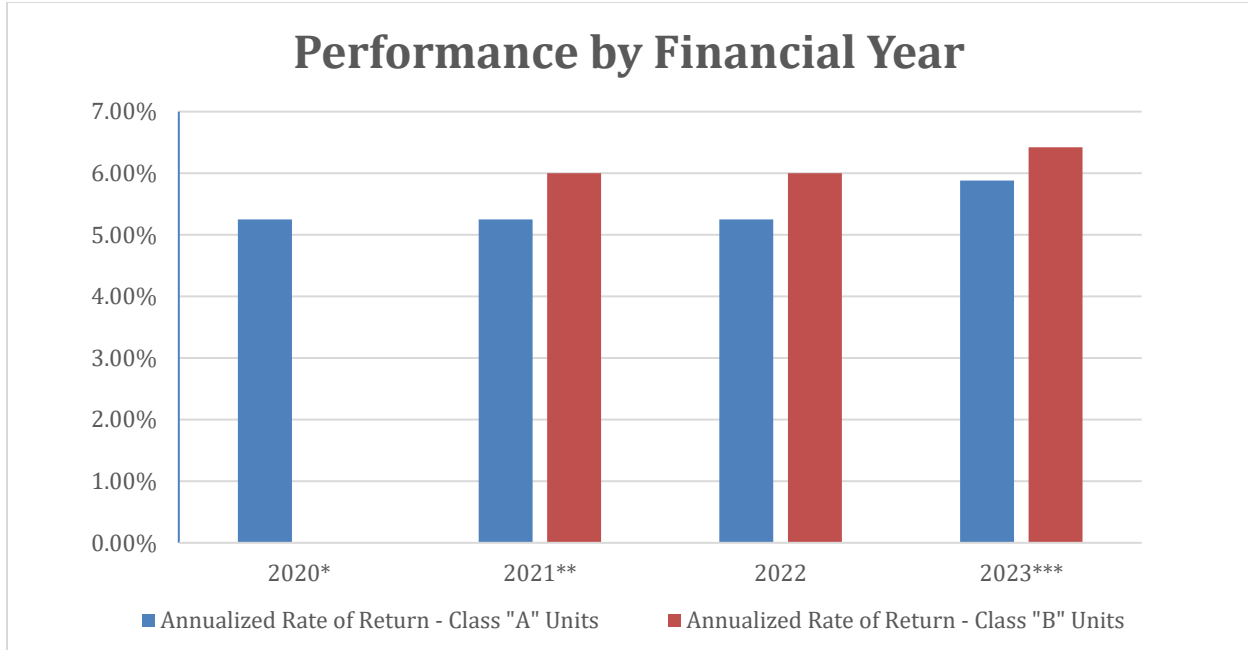
The Partnership was formed on December 10, 2019 and commenced raising funds pursuant to offerings of Class "A" Units in February 2020 and Class "B" Units in October 2021.

2.3.2 Financial Performance

The Partnership commenced raising funds pursuant to offerings of Class "A" Units in February 2020. From February 2020 to February 2023, the rate of return on an investment in Class "A" Units has been consistently at 5.25% per annum. From March 2023 to the date of this Offering Memorandum, the rate of return on an investment in Class "A" Units has been consistently at 6.00% per annum.

The Partnership commenced raising funds pursuant to offerings of Class "B" Units in October 2021. From October 2021 to February 2023, the rate of return on an investment in Class "B" Units has been consistently at 6.00% per annum. From March 2023 to the date of this Offering Memorandum, the rate of return on an investment in Class "B" Units has been consistently at 6.00% per annum.

The following graph reflects the annualized rate of returns of the Class "A" and Class "B" Units for the last four completed financial years (from January 1 to December 31 of each year). Readers are cautioned that past performance is not indicative of future performance, and Partnership cannot guarantee that investors in Units will receive similar returns in the future.



* The Partnership commenced raising funds pursuant to offerings of Class "A" Units in February 2020. The 5.25% Rate of Return of Class "A" Units for the Financial Year ended December 31, 2020 is a pro-rated amount.

** The Partnership commenced raising funds pursuant to offerings of Class "B" Units in October 2021. The 6.00% Rate of Return of Class "B" Units for the Financial Year ended December 31, 2021 is a pro-rated amount.

*** The Partnership increased the Rate of Return to 6.00% and 6.50% for Class "A" and Class "B" Units, respectively, from March 2023. The Rate of Return on Class "A" Units and Class "B" Units for the Financial Year ended December 31, 2023 average 5.88% and 6.42%, respectively.

2.3.3 Mortgage Portfolio Details

(As of March 31, 2024)

The Partnership holds 8 mortgages, with a total principal outstanding of \$6,540,100.00. All mortgages held by the Partnership are residential first mortgages, and there are 5 mortgage which comprises over 10% of the portfolio. Mortgage terms usually range from 6 to 24 months, which minimizes real estate price fluctuation risk, interest rate risk and duration risk. The weighted average term is 11.3 months and the weighted average remaining term is 5.6 months. The mortgages that will mature in less than one year represent 100.0% of the total principal of the portfolio.

Of the mortgages held by the Partnership, the principal amount of \$3,910,000.00, representing 59.8% of the total principal of the portfolio, is secured against properties located in a Census Metropolitan Area (with a population of at least 100,000).

The following outlines the regions where the Partnership's mortgages are located by Province, the weighted average interest rate and the weight average loan-to-value:

| | Mortgage Principal | Weighted Average Interest Rate | Weighted Average Loan-to-Value | Proportion of Mortgage Portfolio |
|----------------|--------------------|--------------------------------|--------------------------------|----------------------------------|
| Ontario | \$6,510,000.00 | 9.40% | 58.05% | 100.00% |
| Other | \$0.00 | - | - | 0.00% |

| | | | | |
|--------------|----------------|-------|--------|---------|
| Total | \$6,510,000.00 | 9.40% | 58.05% | 100.00% |
|--------------|----------------|-------|--------|---------|

* Adjusted rate including Lender Fees

The following outlines the Partnership's mortgages by registration priority of the mortgage security:

| | Mortgage Principal | Proportion of Mortgage Portfolio |
|--------------|---------------------------|---|
| First | \$6,510,000.00 | 100.00% |
| Other | \$0.00 | 0.00% |
| Total | \$6,510,000.00 | 100.00% |

The following outlines the Partnership's mortgages by property type:

| | Mortgage Principal | Proportion of Mortgage Portfolio |
|----------------------------------|---------------------------|---|
| Detached | \$5,860,000.00 | 90.01% |
| Semi-Detached | \$350,000.00 | 5.38% |
| Townhouse | \$0.00 | 0.00% |
| Low & High-Rise Condo | \$300,000.00 | 4.61% |
| Total | \$6,510,000.00 | 100.00% |

Due to our prudent and conservative lending practices, delinquency, losses and write-offs have been nominal. Since inception, the Partnership has not sustained any losses through power of sale and foreclosure.

The Partnership does not have any impaired mortgages (mortgages with payments more than 90 days overdue) undergoing enforcement. The Partnership also has accumulated reserves in place to offset possible future losses in order to mitigate negative impact on the rate of return on an investment in Units.

The Partnership has not made any arrangements to accommodate the financial difficulties of any borrower which would be material to a reasonable investor.

2.3.4 Mortgage Industry Trends and Outlook

Industry Trends

For over a decade in Canada, private mortgage lending has been a growing sector. The General Partner expects a strong demand for private mortgage loans such as those offered by the Partnership due to many factors, including as stricter lending regulations and mortgage stress test requirements imposed on federally regulated financial institutions in October 2016, January 2018 and June 2021.

The government-mandated stress test is aimed at ensuring that the home buyer could still afford the mortgage if interest rates were to rise, and applies to all insured and uninsured mortgages applications and renewals at federally regulated financial institution. Even where the home buyer has more than 20 percent

for a down payment, the home buyer will have to meet mortgage qualification criteria at the higher of 2.00% above the offered mortgage rate or 5.25%. This stress test makes it more difficult for borrowers to obtain residential mortgages from regulated financial institutions and reduces the maximum amount that they qualify to borrow.

Other aspects of the stress test requires that the home buyer must not exceed a pre-set percentage of total household income on home-carrying costs including mortgage payments, heat and taxes; while also not exceeding a separate pre-set percentage of total household income on total debt service which includes mortgage payments and all other debt payments.

The stricter lending regulations and mortgage stress test requirements also make it difficult for borrowers under existing mortgages to renew or refinance their existing mortgage loans from the federally regulated financial institutions, or to qualify for a home equity line of credit.

To meet these stress tests, buyers must effectively have higher annual household income or home equity. The General Partner expects that buyers who do not meet the stress test for a mortgage from the federally regulated financial institutions will turn to private mortgage lenders such as the Partnership, which are not subject to the government guidelines.

The General Partner expects the increased lending opportunities will enable the Partnership to make lower-risk loans (such as mortgages with lower loan-to-value ratios, and to applicants with higher credit scores) on financial terms that are more favourable to the Partnership.

Interest Rates

The Bank of Canada has moved aggressively in recent years to raise interest rates to cool inflation. Between March 2022 and July 2023, Canada's central bank increased the Overnight Rate ten times, from 0.25% to 5.00%, where it has remained as of the date of this Offering Memorandum. The pace and scale of the interest rate increases have made mortgages much more expensive to service, preventing new homebuyers from entering the market and discouraging existing homeowners from trading up. In turn, the volume and prices of home sales have declined.

There is optimism that 2024 will bring interest rate relief. Forecasts from most of the "Big 6" Canadian banks see the Overnight Rate falling back to 3.50% to 4.00% by the end of 2024. The banks' predictions are based on a combination of factors, including the cooling of the Canadian economy, consumer spending, rising unemployment, and Canada's interdependency with other central banks, specifically those of the United States and the European Union.

The General Partner expects that the anticipated interest rate cuts in the short to medium term will help ease the burden on borrowers for everything from mortgage payments to credit cards and car loan payments. The General Partner also expects that decreases in overnight rates will lead to a rebound in the volume and prices of home sales, directly increasing the demand for private mortgages such as those offered by the Partnership.

Outlook

The General Partner expects there will continue to be a significant and growing market for alternative mortgage lenders such as the Partnership, which can offer more flexible underwriting criteria than Schedule I banks and other federally-regulated lenders that dominate the market for conventional residential mortgages. Schedule I banks are less able to lend on single-family conventional mortgage loans where the borrower lacks an established credit history in Canada such as new immigrants and foreign investors,

borrowers who are self-employed, compensated by commission income as opposed to a wage or salary, or who have experienced financial difficulties, loss of employment or lack of long-term employment. High home prices, particularly in major Canadian cities, and the amended Guideline B-20 stress test, have made it increasingly difficult for prospective mortgage borrowers to qualify to meet the rigid underwriting criteria of these federally-regulated financial institutions. Such borrowers often find it difficult to obtain financing from traditional financial institutions, regardless of LTV or the equity they possess in the properties offered as security for the mortgage loan. Private lenders such as the Partnership are not subject to the same strict underwriting criteria. The General Partner anticipates that the demand for private mortgages will continue until regulatory restrictions on federally regulated lenders are eased, or the stress test rules are relaxed.

2.4 Long-Term Objectives

The Partnership’s long-term objective is to provide its Unitholders with a reliable source of income through monthly distributions. The Partnership anticipates continuing to raise funds under this Offering for the foreseeable future and investing all available net proceeds raised in the Partnership as described in Item 2 “*Business of the Partnership*”.

In order for the Partnership to accomplish its long-term objectives, the Partnership must complete the short-term objectives described under Item 2.5 “*Short Term Objectives*” below, and the Asset Manager must prudently manage the affairs of the Partnership on an ongoing basis.

2.5 Short Term Objectives

The Partnership’s objectives over the next twelve (12) months are to continue to increase its awareness among potential investors and to gain market share. In addition, the Partnership will continue to raise sufficient funds, as required, to make additional investments, and diversify the investment portfolio and Unitholder base. The Asset Manager anticipates that it will be successful in attracting interest from existing client relationships for the Partnership.

The following table sets out the Partnership’s objectives over the next twelve (12) months.

| What we must do and how we will do it | Target completion date or, if not known, number of months to complete | Our cost to complete |
|---|---|---|
| Seek out investors for the Partnership through issuing Units. | Ongoing. | See Item 1.2 – “ <i>Use of Available Funds</i> ”. |
| Invest Funds from the sale of Units into mortgages as described under “ <i>Business of the Partnership</i> ”. | As Funds become available. | See Item 1.2 – “ <i>Use of Available Funds</i> ”. |

2.6 Insufficient Proceeds

The funds available as a result of the Offering may not be sufficient to accomplish all of the Partnership’s proposed objectives and there is no assurance that alternative financing will be available. If funds provided by the Offering and cash provided by the Partnership’s operations are insufficient to accomplish the Partnership’s business objectives, the Partnership expects to rely on credit of up to \$30,000,000 available under the Credit Facility. However, without substantial Offering proceeds, the Partnership will not be able

to reduce its indebtedness under the Credit Facility, and its mortgage lending activities could be severely limited.

2.7 Material Agreements

2.7.1 Summary of Material Agreements

The following is a list of all material contracts and legal documents in relation to the Partnership or the Partnership:

1. The LPA governs the Partnership under the laws of the Province of Ontario.
2. The Asset Management Agreement, relating to the day-to-day management and administration of the Partnership described under Item 2 “*Business of the Partnership – 2.1 Structure*” and Item 2.2 “*Our Business*”.
3. The Mortgage Administration Agreement, relating to the collection and administration of mortgage loans payments from mortgagors described under Item 2 “*Business of the Partnership – 2.1 Structure*” and Item 2.2 “*Our Business*”.

The following descriptions of the Partnership’s material agreement are summaries only, and are qualified in their entirety by reference to the complete texts of such agreements. Copies of all material agreements may be reviewed by appointment during the course of this Offering at the Asset Manager’s head office located at 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7.

2.7.2 The LPA

Voting Rights

At a meeting of partners, each limited partner (including the Partnership) shall be entitled to one vote for each Unit held. The chairman shall not have a casting vote. Every question submitted to a meeting shall be decided by a poll. At any meeting, the result of a poll taken shall be deemed to be the decision of the meeting on the question or resolution in respect of which the poll was taken.

Priority of Distributions

The distribution policy of the Partnership is described in Section 5.1.2 “*Distribution Policy*”.

Powers of the General Partner

The General Partner has the exclusive authority to appoint and supervise the Asset Manager and to bind and to admit limited partners.

Removal of the General Partner

The General Partner may be removed as general partner if it commits any act relating to the Partnership or its property constituting fraud, wilful misconduct, gross negligence or wilful and material breach of the terms of the LPA and such removal is approved by special vote.

Reimbursement of Organizational Expenses

The Partnership will bear its organizational and offering expenses, including the out-of-pocket expenses of the General Partner and its agents actually incurred in the formation of the Partnership, up to a cap of \$100,000. Any excess expenses shall be borne by the General Partner.

Term of Partnership

Unless the Partnership is sooner terminated as otherwise provided herein, the Partnership shall continue indefinitely.

2.7.3 Asset Management Agreement

Under the Asset Management Agreement, the Asset Manager shall, subject to the supervision of the General Partner, provide or arrange to be provided, portfolio management and mortgage brokerage services to the Partnership. The Asset Manager shall provide other services to the Partnership, including but not limited to: (i) selecting and engaging brokers and agents; (ii) managing and administering the Partnership's funds, property and assets; (iii) maintaining and administering all books, records, documents and other materials in the possession or control of the Partnership or as required to carry out the business of the Partnership; and (iv) calculating the net assets of the Partnership in accordance applicable rules and guidelines.

The Asset Manager is obligated to exercise its powers and discharge its duties under the Asset Management Agreement honestly and in good faith and in the best interests of the Partnership. In connection therewith, the Asset Manager must also exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The Asset Manager shall receive compensation in respect of the Asset Management Agreement as set out above. See Item 2.2.2 – “*Fees and Expenses*”.

The Partnership will pay for all fees and expenses incurred by the Asset Manager on behalf of the Partnership in connection with its management duties, including legal, audit, travel, marketing, advertising, meeting and communication costs that relate specifically to the Partnership and its Unitholders. The Partnership will also be responsible for all taxes, commissions, brokerage commissions and other costs of securities transactions, debt service and costs relating to any credit facilities and any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable.

The Asset Manager is responsible for all of its internal costs, including (i) all salaries, wages and other expenses of employees of the Asset Manager, (ii) rent and office expenses, (iii) telephone and other communication costs and travel expenses unrelated to the investment activities of the Partnership and office supplies and services, and general administrative expenses and other expenses that are customarily considered to be overhead expenses; and (iv) all costs and fees associated with complying with the licensing requirements of applicable laws, including Mortgage Broker Legislation.

The term of the Asset Management Agreement continues indefinitely until terminated in accordance with its terms, including due to: the dissolution of the Partnership; the bankruptcy or insolvency of the Asset Manager; the Partnership or the Asset Manager being in breach or default of the Asset Management Agreement and such breach or default has not been cured within 30 days of notice by the non-defaulting party to the defaulting party; the resignation of the Asset Manager or termination by the Partnership upon not less than 120 days' written notice; the Asset Manager failing to hold the licenses, registrations or other authorizations necessary to carry out its obligations and being unable to obtain them within a reasonable period after their loss; or termination upon the mutual consent of the Partnership and the Asset Manager.

Under the Asset Management Agreement, the Partnership has agreed that the Asset Manager and its directors, officers, employees and partners shall not be liable to the Partnership for any default, failure or defect in the portfolio held by the Partnership or for any act performed, or failure to act, by the Asset Manager within the scope of the authority conferred on the Asset Manager under the Asset Management Agreement, unless such act or omission constitutes wilful misconduct, bad faith, negligence, breach of its standard of care or material breach or default of its obligations. To the extent permitted by applicable law, the Partnership shall indemnify and hold harmless the foregoing from any loss or claim (other than loss of profits) arising out of their activities on behalf of the Partnership or in furtherance of the interests of the Partnership provided the activity was within the scope of the authority of the Asset Manager in accordance with the Asset Management Agreement and was not the result of any of the foregoing's wilful misconduct, bad faith, negligence, breach of the applicable standard of care, material breach or default of its obligations or a breach of fiduciary duty.

Under the Asset Management Agreement, the Asset Manager has agreed to indemnify and hold harmless the Partnership and its affiliates and its and their respective officers, directors, securityholders, employees and agents from any loss suffered by reason of any acts or omissions or alleged acts or omissions of the Asset Manager that constitute wilful misconduct, bad faith, negligence, breach of its standard of care or material breach or default of its obligations.

Under the Asset Management Agreement, the Partnership has acknowledged that the services being provided by the Asset Manager under the Asset Management Agreement are not exclusive and that the Asset Manager may, from time to time, provide similar services to other persons, enter into other advisory relationships or engage in other business activities, even though such activities may be in competition with the Partnership and involve substantial time and resources of the Asset Manager, provided that the Asset Manager acts, at all times, in accordance with the standard of care that is contemplated by the Asset Management Agreement and thereby allocates investment opportunities to the Partnership and to its clients on a fair and equitable basis.

2.7.4 Mortgage Administration Agreement

Under the Mortgage Administration Agreement, the Mortgage Administrator shall, subject to the supervision of the General Partner, provide or arrange to be provided, general administration services including but not limited to generally administering mortgage loans, collecting the principal, interest and all other amounts due to the Partnership from mortgagors, and delivering same to the Partnership.

The Mortgage Administrator is obligated to exercise its powers and discharge its duties under the Mortgage Administration Agreement and in good faith and in the best interests of the Partnership. In connection therewith, the Mortgage Administrator must also exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The Mortgage Administrator shall receive compensation from the Manager in respect of the Mortgage Administration Agreement as set out above. See Item 2.2.2 – “*Fees and Expenses*”.

The Partnership will pay for all fees and expenses incurred by the Mortgage Administrator on behalf of the Partnership in connection with its mortgage administration duties, including third professional services providers, expenses incurred in connection with legal proceedings in which the Mortgage Administrator participates on behalf of the Partnership or any other acts of the Mortgage Administrator or any other agent of the Partnership in connection with the maintenance or protection of the property of the Partnership, including, without limitation, costs associated with the enforcement of mortgages, any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable.

The Mortgage Administrator is responsible for all of its internal costs, including (i) all salaries, wages and other expenses of employees of the Mortgage Administrator, (ii) rent and office expenses, (iii) telephone and other communication costs and travel expenses unrelated to the investment activities of the Partnership and office supplies and services, and general administrative expenses and other expenses that are customarily considered to be overhead expenses; and (iv) all costs and fees associated with complying with the licensing requirements of applicable laws, including Mortgage Broker Legislation.

The term of the Mortgage Administration Agreement continues indefinitely until terminated in accordance with its terms, including due to: the dissolution of the Partnership; termination of the Asset Management Agreement; the bankruptcy or insolvency of the Mortgage Administrator; the Asset Manager or the Mortgage Administrator being in breach or default of the Mortgage Administration Agreement and such breach or default has not been cured within 30 days of notice by the non-defaulting party to the defaulting party; the resignation of the Mortgage Administrator or termination by the Asset Manager upon not less than 120 days' written notice; the Mortgage Administrator failing to hold the licenses, registrations or other authorizations necessary to carry out its obligations and being unable to obtain them within a reasonable period after their loss; or termination upon the mutual consent of the Asset Manager and the Mortgage Administrator.

Under the Mortgage Administration Agreement, the Partnership has agreed that the Mortgage Administrator and its directors, officers, employees and partners shall not be liable to the Partnership for any default, failure or defect in the portfolio held by the Partnership or for any act performed, or failure to act, by the Mortgage Administrator within the scope of the authority conferred on the Mortgage Administrator under the Mortgage Administration Agreement, unless such act or omission constitutes wilful misconduct, bad faith, negligence, breach of its standard of care or material breach or default of its obligations. To the extent permitted by applicable law, the Partnership shall indemnify and hold harmless the foregoing from any loss or claim (other than loss of profits) arising out of their activities on behalf of the Partnership or in furtherance of the interests of the Partnership provided the activity was within the scope of the authority of the Mortgage Administrator in accordance with the Mortgage Administration Agreement and was not the result of any of the foregoing's wilful misconduct, bad faith, negligence, breach of the applicable standard of care, material breach or default of its obligations or a breach of fiduciary duty. Under the Mortgage Administration Agreement, the Mortgage Administrator has agreed to indemnify and hold harmless the Partnership and its affiliates and its and their respective officers, directors, securityholders, employees and agents from any loss suffered by reason of any acts or omissions or alleged acts or omissions of the Mortgage Administrator that constitute wilful misconduct, bad faith, negligence, breach of its standard of care or material breach or default of its obligations.

2.8 Related Party Transactions and Conflicts of Interest

Although none of the officers of the Partnership will devote all of his or her full time to the business and affairs of the Partnership, each will devote as much time as is necessary to manage or advise on the business and affairs of the Partnership.

The Partnership is subject to a number of actual and potential conflicts of interest because the shareholders, directors, and officers of the General Partner are also shareholders, directors, and officers of the Asset Manager and Mortgage Administrator. In addition, the shareholders, directors and officers of the General Partner are also shareholders, directors, and officers of RESCO MIC.

The directors and officers of the General Partner are required by law to act honestly and in good faith with a view to the best interests of the Partnership, and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Directors and officers of the General Partner must comply with applicable conflict of interest laws in order to ensure that directors exercise independent

judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors at which matters that give rise to such a conflict of interest are considered.

The Asset Manager

The Asset Manager renders its services to the Partnership as Asset Manager and mortgage broker on a non-exclusive basis under the Asset Management Agreement. The Asset Manager is required to act honestly and in good faith, and in the best interests of the Partnership. The Asset Manager, its directors and officers and its affiliates may, from time to time, provide services to other persons similar to those provided to the Partnership and enter into other advisory relationships or engage in other business activities. The Asset Manager and its affiliates have established and may establish in the future other investment entities which have or may have investment objectives that are the same as or similar to those of the Partnership, and act as adviser and/or Asset Manager to such entities. Such mortgage investment entities may have investment policies similar to those of the Partnership, and may compensate the Asset Manager differently from the Partnership. Pursuant to the Asset Management Agreement, the Asset Manager is permitted to engage in such activities, provided that it meets the standard of care provided for therein, and allocates investment opportunities to the Partnership and to its other clients on a fair and equitable basis.

The Asset Manager will follow procedures designed to ensure an appropriate allocation of available investment opportunities among the Partnership and its other clients. The Asset Manager will allocate available lending opportunities between the Partnership and its other clients by based on each entity's specific investment objectives, restrictions, underwriting criteria and risk appetite, as determined by the Asset Manager, acting reasonably. Where a lending opportunity is suitable for more than one investment entity, the Asset Manager will allocate the opportunity based on factors that it considers to be relevant, at its sole discretion, which may include the availability of alternative suitable investment opportunities, present holdings of the same or similar investments, geographic and industry sector considerations and the liquidity of the investment entity.

In some instances, other entities managed by the Asset Manager may participate as co-investors with the Partnership in an investment. In respect of co-investments in mortgages, the Partnership will generally participate in a senior position and the other investment entities managed by the Asset Manager will generally participate in a subordinate position. Such co-investments may create conflicts of interest.

The Mortgage Administrator

The Mortgage Administrator renders its services to the Partnership and the Asset Manager on a non-exclusive basis under the Mortgage Administration Agreement. The Mortgage Administrator is required to act honestly and in good faith, and in the best interests of the Partnership. However, the Mortgage Administrator, its directors and officers and its affiliates may, from time to time, provide services to other persons similar to those provided to the Partnership and the Asset Manager, and may engage in other business activities, even though such activities may be in competition with the Partnership. Pursuant to the Administration Agreement, the Mortgage Administrator is permitted to engage in such activities, provided that it meets the standard of care provided for therein.

Related Party Transactions

The Asset Manager may cause the Partnership to buy mortgages from or sell mortgages to other investment entities related to the Asset Manager and whose portfolios it manages, based on factors that the Asset Manager in discretion determines to be appropriate. The Partnership will invest in a manner that the Asset

Manager believes will allow the Partnership to meet its investment objectives, and comply with its investment restrictions. The Asset Manager may authorize a transaction where it determines that a mortgage investment conforms more closely to another investment entity’s specific investment restrictions, underwriting criteria or risk appetite. The terms of such transactions are set by the Asset Manager and are not negotiated or conducted at arm’s length. Such transactions will occur at fair market value, as determined by the Asset Manager, acting reasonably. However, other contractual terms that might otherwise be included in the documentation negotiated with an unrelated party might not be included. The Asset Manager will not receive any fee or commission in connection with transactions in mortgage investments between the Partnership and any other investment entity that it manages.

Investors will be required to rely on the honesty and judgment of the Asset Manager for the fair and equitable allocation of available lending opportunities, whether through mortgage origination or through purchases and sales of mortgages. The Conflicts Committee of the General Partner’s Board of Directors will periodically review the Partnership’s transactions to ensure that the Manager is fairly and equitably allocating available lending opportunities between its clients, including through mortgage origination or through the transfer of existing mortgages.

ITEM 3 INTERESTS OF MANAGEMENT AND PRINCIPAL HOLDERS OF THE GENERAL PARTNER

3.1 Compensation and Shares Held

The chart below discloses the names, municipalities of residence, positions, compensation and Units held by each of the executive officers and principal holders of Shares of the General Partner. For a discussion of fees paid to the Asset Manager and Mortgage Administrator, see Item 2.2.2 “Fees and Expenses”.

| Name and municipality of principal residence | Positions held (e.g. director, officer) and the date of obtaining that position | Compensation to be paid by the Partnership in the current financial year | Number, type and percentage of securities of the General Partner held |
|---|---|--|---|
| David Y. Ho <i>Toronto, Ontario</i> | Director and President since November 28, 2019 | Nil ⁽¹⁾ | 38.4 Common Shares (32%) |
| Will C. B. Sung <i>Markham, Ontario</i> | Director and Vice President since November 28, 2019 | Nil ⁽¹⁾ | 19.2 Common Shares (16%) |
| Chris M. K. Cheng <i>Toronto, Ontario</i> | Director since November 28, 2019 and Chief Operating Officer since August 25, 2021 ⁽²⁾ | Nil ⁽¹⁾⁽³⁾⁽⁴⁾ | 19.2 Common Shares (16%) |
| Phoebe M. K. Lam <i>Richmond Hill, Ontario</i> | Director and Chief Risk Officer since November 28, 2019 | Nil ⁽¹⁾⁽⁵⁾ | 19.2 Common Shares (16%) |
| Jie Chen <i>Vancouver, British Columbia</i> | Director since November 28, 2019 | Nil ⁽¹⁾⁽⁶⁾ | Nil |
| Henry H. L. Chui <i>Toronto, Ontario</i> | Director since August 1, 2021 | Nil ⁽¹⁾ | 12 Common Shares (10%) ⁽⁷⁾ |
| Louis H. M. Wong <i>Toronto, Ontario</i> | Director since August 1, 2021 | Nil ⁽¹⁾ | 12 Common Shares (10%) ⁽⁸⁾ |
| Joel Kadish <i>Toronto, Ontario</i> | Director since March 23, 2022 | Nil ⁽¹⁾⁽⁹⁾ | Nil |
| Judy Lee <i>Markham, Ontario</i> | Director since March 23, 2022 | Nil ⁽¹⁾ | Nil |

| Name and municipality of principal residence | Positions held (e.g. director, officer) and the date of obtaining that position | Compensation to be paid by the Partnership in the current financial year | Number, type and percentage of securities of the General Partner held |
|--|---|--|---|
| Michele Steko <i>Caledon, Ontario</i> | Director since March 23, 2022 | Nil ⁽¹⁾⁽¹⁰⁾ | Nil |
| Sheldon Rajesky <i>Markham, Ontario</i> | Director since March 23, 2022 | Nil ⁽¹⁾⁽¹¹⁾ | Nil |

Notes:

- (1) The General Partner pays the directors a meeting attendance fee of \$300 per meeting, up to a maximum of \$1,800 per year. The payment of such meeting attendance fee depends on the availability of Distributable Cash for the General Partner after distributions to Unitholders. See Item 5.1.2 – “*Distribution Policy*”.
- (2) Mr. Cheng was Chief Executive Officer of the General Partner from November 28, 2019 to August 25, 2021.
- (3) Mr. Cheng will receive compensation for services rendered to the Partnership from the General Partner in an amount equal to 0.15% *per annum* of the Total Mortgages of the Partnership, calculated monthly and paid quarterly. The payment of such compensation depends on the availability of Distributable Cash for the General Partner after distributions to Unitholders. See Item 5.1.2 – “*Distribution Policy*”.
- (4) Mr. Cheng is a registered dealing representative of Waverley Corporate Financial Services Ltd., a Registered Dealer which may be appointed by the Partnership to act as agent in connection with the Offering. Mr. Cheng will not act as dealing representative in connection with any sale of Units.
- (5) Ms. Lam will receive compensation for services rendered to the Partnership from the General Partner in an amount equal to 0.15% *per annum* of the Total Mortgages of the Partnership, calculated monthly and paid quarterly. The payment of such compensation depends on the availability of Distributable Cash for the General Partner after distributions to Unitholders. See Item 5.1.2 – “*Distribution Policy*”.
- (6) Mr. Chen is a registered dealing representative of Windstar Equities Ltd., a Registered Dealer which may be appointed by the Partnership to act as agent in connection with the Offering. Where Mr. Chen acts as dealing representative in connection with a sale of Units, he will be entitled to receive from Windstar Equities Ltd. a portion of the selling commissions paid by the Partnership to Windstar Equities Ltd.
- (7) Held through 2777782 Ontario Inc., a corporation incorporated and subsisting under the laws of the Province of Ontario, of which Mr. Chui is the sole shareholder, director and officer.
- (8) Held through 2731435 Ontario Inc., a corporation incorporated and subsisting under the laws of the Province of Ontario, of which Mr. Wong is the sole shareholder, director and officer.
- (9) Mr. Kadish acts as the Partnership’s solicitor in its mortgage transactions from time to time. His compensation for acting in each transaction is paid by the borrowers of the respective transaction.
- (10) Ms. Steko is the principal of RISE Consulting and Communications (“RISE”). RISE has entered into a consulting agreement with the Manager dated February 1, 2022 to provide services on marketing-related matters to the Manager.
- (11) Mr. Rajesky is the principal of SBR Valuations Ltd. (“SBR”). SBR has entered into a consulting agreement with the Manager dated February 1, 2022 to provide services on appraisals-related matters to the Manager.

3.2 Portfolio Management

The Chief Operations Officer of the General Partner, Chris M. K. Cheng is responsible for the following:

- (a) establishing and implementing the issuer’s investment objectives and investment strategy;
- (b) setting any limitations or restrictions on investments;
- (c) monitoring the performance of the portfolio;
- (d) making any adjustments to the issuer’s portfolio.

3.3 Management Experience

The directors and senior officers of the General Partner have a broad background of experience applicable to the activities undertaken by it. The following table discloses the principal occupations of the directors and senior officers of the General Partner for the past five years.

| Name | Principal Occupation and Related Experience |
|---------------------------|---|
| David Y. Ho, CLU, CH.F.C. | <p>Mr. Ho has over 30 years of experience in the insurance and wealth management industries.</p> <p>In 2000, Mr. Ho founded TORCE Financial Group, a financial brokerage firm which distributed insurance and financial investment products to retail customers through over 1,000 financial brokers in offices across Toronto, Vancouver, and Montreal.</p> <p>Mr. Ho previously served as Regional Managing Director at Canada Life where he was awarded the Canada Life President's Award for outstanding leadership.</p> <p>He holds a Bachelor of Science degree in Accounting from the University of Illinois at Chicago.</p> |
| Will C. B. Sung | <p>Mr. Sung has been active in the real estate industry in Toronto since 1984. In 1988, he established at Landstars 360 Realty Inc, Brokerage (then known as Landstars Realty Inc.), of which he remains the owner and a registered salesperson.</p> <p>Landstars was associated with Century 21 between 1992 and 2012, during which period it was awarded Century 21's Centurion Award for exceptional achievement.</p> <p>Mr. Sung is known within the industry for being creative and pioneering. Throughout his real estate career, he has launched over one million square feet of commercial condominiums.</p> |
| Chris M. K. Cheng | <p>Mr. Cheng is a licensed mortgage broker in Ontario, and a dealing representative (Exempt Market Dealer) of Waverley Corporate Financial Services Ltd., registered in Ontario and British Columbia. He obtained his mutual funds license in 1993 and completed the CSI Branch Compliance Officer course in 2002.</p> <p>Since 2013, Mr. Cheng has been the Chief Operating Officer of RESCO Mortgage Investment Corporation, and an officer of each of the Asset Manager and the Mortgage Administrator.</p> <p>Between 1992 and 2011, Mr. Cheng worked at TD Canada Trust, where he held a number of senior positions within the organization such as Director of TD Mutual Funds, Branch Manager and District Vice-President for the Greater Toronto Area.</p> <p>Mr. Cheng graduated from the University of Windsor with a Bachelor of Science degree (Biology) in 1989 and with a Bachelor of Art degree (Economics) in 1991.</p> |
| Phoebe M. K. Lam | <p>Ms. Lam has been a licenced a mortgage broker in Ontario since 2011.</p> <p>Since 2013, Ms. Lam has been the Managing Director of RESCO Mortgage Investment Corporation, and became its Chief Risk Officer in 2021.</p> <p>Since 2013, Ms. Lam has been the Principal Broker for the Asset Manager and the Mortgage Administrator.</p> <p>Ms. Lam earned her degrees and certifications from the University of Waterloo and the University of Washington. She successfully completed the Moody's Analytics Certification for Analyzing Commercial Real Estate offered by the Canadian Securities</p> |

| Name | Principal Occupation and Related Experience |
|----------------------------|--|
| | Institute. |
| Jie Chen | <p>Mr. Chen has been a dealing representative (Exempt Market Dealer) with the British Columbia Securities Commission as since 2014.</p> <p>Mr. Chen is currently a dealing representative of Windstar Equities Ltd. and has successfully raised over \$80M in money markets and land syndications during this time.</p> <p>Mr. Chen has been a licenced life insurance agent in British Columbia since 2009. He has built a reputation as a highly productive agent and has received numerous top sales awards.</p> <p>Mr. Chen holds a Bachelor of Arts degree from Simon Fraser University, majoring in Economics.</p> |
| Henry H. L. Chui | <p>Mr. Chui earned his bachelor's degree in marketing in McMaster University and founded Results Advertising in 2009.</p> <p>Since then, Results Advertising has produced a vast range of print, radio and television advertising for various clientele including builders and developers. In 2018, Results Marketing received the Best Asia-Pacific Business Award from the Association of Chinese Canadian Entrepreneurs.</p> <p>Mr. Chui has served as director of various not-for-profit organizations including the Richmond Hill, Markham, Vaughan Chinese Business Association.</p> |
| Louis H. M. Wong | <p>Mr. Wong has over two decades experience in the luxury jewellery retail industry. He is Director of Ontario Operations for H&F Jewellery and Jade, a retailer of fine custom jewellery and luxury watches. He is also the owner of Gold Station which he founded in 2011. With retail locations in Markham, Ontario and Richmond, B.C., Gold Station buys gold and watches from its customers and offers different types of secured loans.</p> <p>Mr. Wong also has experience in land purchases and development of custom residential homes in Ontario, and is an Advisory Board Counselor and investor at SL Equities which actively invests in USA and Canada commercial real estate.</p> <p>Mr. Wong holds a Bachelor of Commerce Degree in Accounting from Ryerson University, and has been a licenced mortgage broker in Ontario in 2015.</p> |
| Joel Kadish ⁽²⁾ | <p>Mr. Kadish Kadish is a real estate lawyer with over 30 years' experience in all facets of real estate transactions. He specializes in real estate, leasing and other corporate matters.</p> <p>Mr. Kadish has taught residential real estate at the Bar Admission Course since 1994, and co-chairs the annual real estate summit for the Law Society of Ontario's Continuing Legal Education Program. He is a frequent lecturer on real estate issues and practice management issues for lawyers and was an instructor at Ryerson university for the first three years of the law practice program which is an alternative pathway to licensing.</p> |
| Judy Lee ⁽¹⁾ | <p>Ms. Lee brings robust banking industry knowledge and expertise, having held various leadership positions with RBC Royal Bank and BMO Bank of Montreal.</p> <p>Prior to her retirement, Ms. Lee held the position of Senior Director and Vice President, Business Strategy and Enablement at the RBC Royal Bank National Officer, and she has accumulated experience in commercial financial services, financial advisory</p> |

| Name | Principal Occupation and Related Experience |
|--------------------------------|---|
| | <p>services, compliance, capital markets, commercial banking and retail banking at the branch and corporate levels throughout her career.</p> <p>Ms. Lee was known for her ability to raise employee productivity and engagement, and exceeding sales objectives at her posts.</p> |
| Michele Steko ⁽¹⁾ | <p>Ms. Steko has held various roles in the mortgage industry since 2004 including brokering, lending, business development, management, training and recruitment. Whether with institutions such as Home Trust and First National or with brokerage network Mortgage Architects, Ms. Steko played pivotal roles in the record-breaking growth of each organization.</p> <p>Ms. Steko recently founded RISE Consulting and Communications where she continues to focus on supporting brokers in their business through multi-level business consulting and content writing, communications and social media support.</p> <p>Ms. Steko’s achievements in the mortgage industry has been well-recognized over the years, including being named one of Canadian Mortgage Professionals’ Women of Influence in both 2018 and 2021.</p> |
| Sheldon Rajesky ⁽²⁾ | <p>With over 40 years experience, Mr. Rajesky has developed a reputation as a sought out real estate expert. Since 1982, he has served clients in the mortgage industry in both the private and public sectors, as well as appearing as an expert witness in real estate litigation on numerous occasions.</p> <p>Mr. Rajesky held Accredited Appraiser Canadian Institute (AACI, P.App.) and Professional Appraiser (P.App.) designations prior to his retirement.</p> <p>Mr. Rajesky is past co-chair of the Appraisal Institute of Canada’s Investigating Committee and also served for six years on the Adjudicating Committee.</p> <p>In 2015, Mr. Rajesky sold his practice (Rajesky & Associates Ltd.). Presently, he continues to serve his clients through his consulting firm, SBR Valuations Ltd.</p> |

Notes:

- (1) Member of the Credit Committee
(2) Member of the Conflicts Committee

3.4 Penalties, Sanctions and Bankruptcy

No director, executive officer, control person (collectively, an “Insider”) or any issuer of which an Insider was a director, executive officer or control person at the time, has during the last 10 years:

- (a) a penalty or other sanction imposed by a court relating to a contravention of securities legislation;
- (b) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation;
- (c) an order restricting trading in securities, not including an order that was in effect for less than 30 consecutive days;
- (d) made a declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors, or appointed a receiver, receiver-manager or trustee to hold assets.

No Insider has ever pled guilty to or been found guilty of any of the following:

- (a) a summary conviction or indictable offence under the Criminal Code (Canada);
- (b) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction;
- (c) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America;
- (d) an offence under the criminal legislation of any other foreign jurisdiction.

3.5 Loans

As of the date of this Offering Memorandum, the Partnership does not have any debentures or loans due to or from its directors, management, promoters or its principal security holders.

As of the date of this Offering Memorandum, the General Partner does not have any debentures or loans due to or from its directors, management, promoters or its principal security holders.

ITEM 4 CAPITAL STRUCTURE

4.1 Capital

The following table sets out information about the Partnership's outstanding securities, including options, warrants and other securities convertible into Units.

| Description of Security ⁽¹⁾ | Number authorized to be issued | Number outstanding as at the date of this Offering Memorandum | Number Outstanding after minimum offering | Number Outstanding after maximum offering |
|--|--------------------------------|---|---|---|
| Class "A" Units | Unlimited | 265,500 | N/A | 6,265,500 |
| Class "B" Units | Unlimited | 150,000 | N/A | 4,150,000 |

Notes:

- (1) The attributes and characteristics of the Units are set forth under Item 5 "*Securities Offered – Terms of Securities*".

4.2 Long Term Debt Securities

The following table sets out the long term debts of the Partnership:

| Description of long term debt | Interest Rate | Repayment terms | Amount outstanding as at March 31, 2024 |
|--------------------------------|--|-----------------|---|
| Credit Facility ⁽¹⁾ | Lender's Prime Rate + 1.25% ⁽²⁾ | Upon demand | \$2,107,500 |

Notes:

- (1) The Partnership may borrow and re-borrow up to \$30,000,000 under the Credit Facility. The Partnership's obligations under the Credit Facility will be secured by all personal property of the Partnership, including the Partnership's mortgage portfolio. See Item 2.2.1 – "*Mortgage and Lending Arrangements – Use of Leverage*".
- (2) As of the date of this Offering Memorandum, the lender's Prime Rate + 1.25% is equivalent to 8.45% per annum.

4.3 Prior Sales

The following table sets out the details of the prior sales of the Units within the last 12 months:

| Date of Issuance | Type of security issued | Number of securities issued | Price per security | Total funds received |
|------------------------------------|-------------------------|-----------------------------|--------------------|----------------------|
| April 1, 2023 to March 31, 2024 | Class "A" Units | 40,000 | \$10.00 | \$400,000 |
| | Class "B" Units | 20,000 | \$10.00 | \$200,000 |

ITEM 5 SECURITIES OFFERED

5.1 Terms of Securities

5.1.1 Description of the Units

The beneficial interest in the Partnership is divided into interests issuable as separate Units. The Partnership is authorized to issue an unlimited number of redeemable, non-transferable Class "A" Units and Class "B" Units. Except as otherwise expressly provided below, each Unit represents an equal, undivided interest in the net assets of the Partnership. Fractional Units will be issued.

The Class "A" Units and Class "B" Units each have different characteristics, including but not limited to minimum investment criteria, targeted returns and hold period as described in the LPA and in this Offering Memorandum.

Neither Class "A" Units nor Class "B" units have any preference or priority over the other with respect to the distribution of Distributable Cash from the Partnership. In the event of the liquidation, dissolution or winding up of the Partnership or other distribution of assets of the Partnership among its unitholders for the purpose of winding up its affairs, the holders of the Class "A" Units and Class "B" Units shall share in the remaining property of the Partnership on a *pari passu* basis.

The Class "A" Units and Class "B" Units are available to all investors who meet the respective minimum investment criteria of each class.

Units may be subdivided or consolidated from time to time by the General Partner as otherwise provided in the LPA. Unless otherwise provided for in the LPA and applicable securities laws, the Units are not transferable.

For further information on the attributes of the Units, including redemption policies, please see Item 2.7.2 – "The LPA".

5.1.2 Distribution Policy

The Partnership does not have a fixed distribution. The Partnership may make quarterly distributions as provided in the LPA in such amounts as the General Partner may in its sole discretion determine, in compliance with the following order of priority:

- first, 100% of Distributable Cash to Unitholders until Unitholders have received a return on their Units for such year (in an amount equal to 6.0% *per annum* for Class "A" Units and 6.5% *per annum* for Class "B" Units) of their applicable subscription amount; and

- thereafter, the remaining Distributable Cash to the General Partner (the “**General Partner Distribution**”).

For greater certainty, if there is insufficient Distributable Cash to distribute following the payment Unitholders, the General Partner Distribution will be nil.

For any Unitholder who has been a Unitholder for less than the full year, the distribution amount will be calculated on a pro rated basis.

The amount of any distributions is entirely at the discretion of the General Partner and there can be no assurance that the General Partner will make any distributions.

To the extent that there is sufficient Distributable Cash, the General Partner may, entirely at its discretion, make distributions in excess of 6.0% *per annum* of the applicable subscription amount for Unitholders of Class “A” Units and in excess of 6.5% *per annum* of the applicable subscription amount for Unitholders of Class “B” Units.

The Partnership will generally make distributions quarterly, if any, on or about the 15th day of the month following the end of each financial quarter (i.e. April 15, July 15, October 15 and January 15). Distributions will be paid in cash by direct deposit, certified cheque, money order or bank draft.

There is no assurance of any return on a Unitholder’s investment. The Units are not debt instruments and there is no principal amount owing to Unitholders under the Units. An investment in the Units is not insured through the Canada Deposit Insurance Corporation.

5.1.3 Redemption of Units

Unitholders may not redeem Units during the first twelve months following the issue date of the subject Units. The General Partner may, in its sole discretion, waive such lock up period.

Thereafter, Unitholders may request redemption of all or part of their Units monthly, as at the last business day of each month (each, a “**Redemption Date**”), in accordance with the below provisions and provided that such Redemption Date occurs following the first anniversary of the initial purchase of the Units being redeemed.

In order to exercise this redemption privilege, redemption requests must be received by the Asset Manager at least 90 days prior to the applicable Redemption Date, in such form and with such supporting documents as the Partnership may prescribe, although the Asset Manager in its sole discretion may waive or reduce the notice period. If 90 days' notice is not given, the Asset Manager is not required to consider redeeming the Units until the following Redemption Date after such 90 day notice period.

The amount payable in respect of each Unit redeemed (the “**Redemption Amount**”) is equal to the Fair Market Value of the Unit on the Redemption Date, together with all distributions declared and unpaid as at the Redemption Date. There are no redemption fees, and the Partnership bears its own handling and processing costs, including bank charges. Only whole Units may be redeemed unless the investor’s entire investment is being redeemed. Fair Market Value is determined by Asset Manager in accordance with the LPA.

The Redemption Amount payable for redemption of Class “B” Units more than 12 months but less than 36 months following the issue date of the subject Units shall be subject to a discount in accordance with the following schedule of discounts:

- Where the Redemption Date is between 12 to 24 months after the issue date of the subject Units - 2.0% discount
- Where the Redemption Date is between 24 to 36 months after the issue date of the subject Units - 1.0% discount

The Redemption Amount payable for redemption of Class “A” Units more than 12 months following the issue date of the subject Units are not subject to any discounts.

The Board may, in their sole discretion, waive the discount for any particular redemption request.

There are restrictions and limits on redemption as described below. All redemptions are made subject to and in accordance with the terms of the LPA.

Once paid, such person will cease to be a Unitholder and have no further claims against the Partnership and no further rights to any distributions.

Redemption Restrictions and Limits

Payment of Redemption Amounts for any Redemption Date is subject to the availability of funds. The Partnership is obliged to make all reasonable efforts to meet requests for redemption; however, the Partnership may in certain circumstances defer or delay redemption payments where it determines in good faith that the delay is required to protect the interests of the other investors in the Partnership

The General Partner has the discretion to suspend, reject or defer redemptions of Units where:

- the Partnership has a working capital deficiency or such redemptions would cause the Partnership to have a working capital deficiency;
- such redemptions would cause the Partnership to be in default of its financial obligations under bona fide arm's length loan or credit arrangements; or
- such redemptions are otherwise prohibited under applicable laws.
- There is no obligation to redeem Units on any Redemption Date if:
 - the total amounts to be redeemed on such Redemption Date, together with any amounts requested for redemption on a prior Redemption Date and unpaid as of such Redemption Date, exceeds 5% of the aggregate Fair Market Value of Units outstanding on the Redemption Date (the “**Monthly Redemption Limit**”);
 - the total amounts to be redeemed on such Redemption Date, together with any Redemption Amounts paid in the subject fiscal year, plus the total amount to be redeemed or requested for redemption on a prior Redemption Date and unpaid as of such Redemption Date, exceeds 20% of the aggregate Fair Market Value of Units outstanding as at the beginning of the subject fiscal year (the “**Annual Redemption Limit**”).
- The date on which any redemption payment is made, generally the 15th of any month, is called a “**Redemption Payment Date**”. There may be multiple Redemption Payment Dates in respect of any given Redemption Date, depending on the Redemption Requests received.
- Unless a suspension of redemptions or other similar event is in effect, redemption requests are processed and paid in the order in which they are received.

Redemptions by Partnership

The Asset Manager has the right to require a Unitholder to redeem some or all of the Units owned by such Unitholder on a Redemption Date at the Fair Market Value of such Unit as of the designated Redemption Date, by notice in writing to the Unitholder given at least 30 days before the designated Redemption Date, which right may be exercised by the General Partner in its sole and absolute discretion.

5.1.4 Meetings of Unitholders

The General Partner shall have power at any time to call special meetings of the Unitholders at such time and place in Canada as the General Partner may determine. Such Unitholder meetings may be held in person or electronically, or be a combination of both as the General Partner may determine. The Unitholders holding in the aggregate not less than 25% of the votes attaching to all outstanding Units (on a fully-diluted basis) may requisition the General Partner in writing to call a special meeting of the Unitholders for the purposes stated in the requisition.

5.2 Subscription Procedure

Subscribers who wish to purchase Units will be required to enter into a Subscription Agreement with the Partnership by completing and delivering the Subscription Agreement and related documentation to the Partnership. The Subscription Agreement contains, among other things, representations and warranties required to be made by the Subscriber that it is duly authorized to purchase the Units, that it is purchasing Units for investment and not with a view for resale, and as to its corporate status or other qualifications to purchase Units on a “private placement” basis. Reference is made to the Subscription Agreement and related documentation, copies of which are available from the Asset Manager, for the specific terms of these representations, warranties and conditions.

The Units are offered only on a private placement basis and only by dealers authorized to offer such private placements of securities. Persons wishing to subscribe for Units under this Offering may do so by completing the following three steps:

- (a) **Subscription Forms** – This Offering Memorandum is for persons who are resident in Canada. To subscribe for Units, investors must complete the Subscription Agreement, including all Schedules.
- (b) **Method for Payment** – A cheque or bank draft made payable to “RESCO First Mortgage Fund LP” must be forwarded to the Asset Manager’s head office in Richmond Hill, Ontario. Payment may also be made by wire order or electronic funds transfer.
- (c) **Submitting Subscriptions** – Completed Subscription Agreements and funds payable to “RESCO First Mortgage Fund LP” must be received by the Partnership at:

360 Highway 7 East, Unit 28
Richmond Hill, Ontario L4B 3Y7

E-mail: info@rescogroup.com

- (d) **Acceptance of Subscriptions and Closings** – Subscriptions may be accepted at the sole discretion of the Asset Manager, and are subject to the terms and conditions of the Subscription Agreement signed by the investor. The authority to accept or reject subscriptions has been delegated to the Asset Manager to ensure that the Partnership maximizes its return for existing investors, and that the Partnership complies with all other

relevant securities laws. All subscription proceeds, including where required under NI 45-106 (see below under “*Investor Qualifications*”), will be held in escrow by the Asset Manager until midnight on the second Business Day after the investor delivers the executed Subscription Agreement. If the Asset Manager defers acceptance of a subscription, the investor will be notified and the funds shall be held in escrow and invested in a CDIC insured account pending issuance of Units. If the Asset Manager rejects a subscription, the subscription funds received will be promptly returned to the investor, without interest or deduction, along with notification of the rejection.

This Offering is not subject to any minimum subscription level. Therefore, any funds received from an investor are available to the Partnership and need not be refunded to the investor save and except as required by the constating documents of the Partnership, the terms of this Offering Memorandum, or as otherwise required by law.

Closings will occur on a continuous basis as subscriptions are received and accepted. It is expected that all accepted subscriptions will be effective on the last day of each month and settled within three Business Days. A prospective investor will become a Unitholder upon execution of a Subscription Agreement, acceptance of the Subscription Agreement by the Asset Manager acting on behalf of the Partnership, payment of the subscription price, and entry of the investor’s name in the unitholder register of the Partnership.

All subscription proceeds will be held in escrow until midnight on the second Business Day after the day the Subscriber signs the applicable Subscription Agreement. If Subscribers provide the Partnership with a cancellation notice prior to midnight of the second Business Day after the signing date, or the Partnership does not accept a Subscriber’s subscription, all subscription proceeds will be promptly returned to the Subscriber without interest or deduction.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part by the Partnership; and the Partnership reserves the right to close the subscription books at any time without notice. A subscription for Units hereunder is subject to acceptance of a Subscription Agreement by the Partnership and compliance with applicable securities laws. The Subscription Agreement referred to herein contains representations and warranties of the Subscriber, which the Partnership will be relying upon in order to determine the eligibility of the Subscriber.

5.2.1 Canadian Investors

The Units offered by this Offering Memorandum will be issued in accordance with various statutory exemptions contained in the securities legislation of each of the Offering Jurisdictions and the rules and regulations promulgated thereunder. The Offering is limited to residents of Canada.

This Offering is being made in the Offering Jurisdictions in reliance on one or more of the following prospectus exemptions as set out in National Instrument 45-106 – *Prospectus Exemptions* (“**NI 45-106**”), including: (1) the Accredited Investor exemption to those investors that qualify as an “accredited investor” as such term is defined in NI 45-106; (2) the Offering Memorandum exemption; (3) investors that qualify under the “Family, Friends and Business Associates” exemption under NI 45-106; and (4) as may be applicable, the Minimum Amount Investment or Asset Acquisition exemptions. Each Investor relying on the Accredited Investor exemption will be required to certify in the subscription agreement (the “**Subscription Agreement**”) provided herewith that the Investor is an “accredited investor” as defined in NI 45-106. Each Investor relying on the Offering Memorandum exemption will be required to sign the “risk acknowledgement” form as part of the Subscription Agreement. Each Investor relying on the “Family,

Friends and Business Associates” exemption will be required to complete the representation letter and sign the “risk acknowledgement” form as part of the Subscription Agreement.

5.2.2 Minimum Initial and Subsequent Investments

The minimum initial subscription for Class “A” Units is 5,000 Units (\$50,000 expected value) and the minimum initial subscription for Class “B” Units is 15,000 Units (\$150,000 expected value). The minimum subsequent investment amount is 2,500 Units (\$25,000 expected value). The Asset Manager will determine, and from time to time may change, the minimum subscription amounts for initial and subsequent investments in any class of Units, for all or any investments, at any time, without notice to investors. At the time of making each additional investment in the Partnership, each Subscriber will be deemed to have repeated to the Partnership the covenants and representations contained in the Subscription Agreement delivered by the Subscriber to the Partnership at the time of the initial purchase.

The Asset Manager will collect, use and disclose the individual personal information of Investors in accordance with the Partnership’s privacy policy and will obtain consent to such collection, use and disclosure from time to time as required by such policy and the law. A copy of the Partnership’s current privacy policy will be provided with the subscription agreement and consent will be sought at that time.

Investors should carefully review the terms of the Subscription Agreement provided herewith for more detailed information concerning their rights and obligations. Execution and delivery of the Subscription Agreement will bind Investors to the terms thereof, whether executed by the Investor or by an agent on the Investor’s behalf. You should consult with your own professional advisors respecting this investment. See Item 9 – “Risk Factors”.

5.2.3 Proceeds of Crime (Money Laundering) Legislation

In order to comply with Canadian legislation aimed at the prevention of money laundering and terrorist financing, the Partnership or the Asset Manager may require additional information concerning investors. If, as a result of any information or other matter which comes to the Partnership’s or the Asset Manager’s attention, any director, officer or employee of the Partnership or the Asset Manager knows or suspects that an investor is engaged in money laundering or terrorist financing, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

ITEM 6 REPURCHASE REQUESTS

The following table sets out the Units redeemed by the Partnership during the last two financial years, and in the current financial year to the date of this Offering Memorandum:

| Date | Opening balance of outstanding redemption requests (\$) | Redemption requests received during period | | Redemption requests fulfilled during period | | Closing balance of outstanding redemption requests (\$) |
|--|---|--|-----------------|---|-----------------|---|
| | | Value (\$) | Number of Units | Value (\$) | Number of Units | |
| Financial Year ended December 31, 2022 | Nil | \$1,545,000 | 154,500 | \$1,465,000 | 146,500 | \$80,000 ⁽¹⁾ |

| Date | Opening balance of outstanding redemption requests (\$) | Redemption requests received during period | | Redemption requests fulfilled during period | | Closing balance of outstanding redemption requests (\$) |
|--|---|--|-----------------|---|-----------------|---|
| | | Value (\$) | Number of Units | Value (\$) | Number of Units | |
| Financial Year ended December 31, 2023 | \$80,000 ⁽¹⁾ | \$3,487,000 | 348,700 | \$3,567,000 | 356,700 | Nil |
| January 1, 2024 to March 31, 2024 | Nil | \$500,000 | 50,000 | \$250,000 | 25,000 | \$250,000 ⁽²⁾ |

Notes:

(1) Fulfilled on January 3, 2023.

(2) Fulfilled on April 1, 2024.

ITEM 7 INCOME TAX CONSEQUENCES

The following is a general summary of the principal Canadian federal income tax considerations under the Tax Act to an investor acquiring, holding and disposing of Units. This summary only applies to an investor who acquires Units pursuant to this Offering Memorandum, and who, for the purposes of the Tax Act and at all relevant times:

- (a) is or is deemed to be a resident of Canada;
- (b) deals at arm's length and is not affiliated with the Partnership, the General Partner, the Asset Manager and the Mortgage Administrator;
- (c) is the initial investor in the Units;
- (d) acquires and holds Units as capital property; and
- (e) is not exempt from tax under Part I of the Tax Act.

Generally, Units will be considered to be capital property to a holder if acquired for investment purposes and not acquired or held in the course of carrying on a business of trading or dealing in securities or as part of an adventure or concern in the nature of trade.

This summary is not applicable to an investor (i) that is a "financial institution" as defined in subsection 142.2(1) of the Tax Act, (ii) that is a "specified financial institution" as defined in the Tax Act, (iii) that reports its "Canadian tax results", as defined in the Tax Act, in a currency other than Canadian currency, (iv) that has a "significant interest" in the Fund for the purposes of the partnership deferral rules in sections 34.2 and 34.3 of the Tax Act, (v) an interest in which would be a "tax shelter investment" as defined in the Tax Act, or (vi) that has entered into or will enter into, with respect to Units, a "derivative forward agreement" as that term is defined in the Tax Act. Such investors are urged to consult their own tax advisors.

This summary assumes that at all times: (i) the Partnership is a "Canadian partnership" as defined in the Tax Act, (ii) the Partnership (and each Unit) is not a "tax shelter" or "tax shelter investment", each as defined in the Tax Act, (iii) the Partnership is not a "SIFT partnership", as defined in the Tax Act, (iv) Units

that represent more than 50% of the fair market value of all interests in the Partnership are held by Unitholders that are not “financial institutions” as defined in subsection 142.2(1) of the Tax Act, and (v) no interest in any Partner is a “tax shelter investment” as defined in the Tax Act. However, no assurances can be given in this regard.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”), all specific proposals to amend the Tax Act or the Regulations publicly announced by the federal Minister of Finance prior to the date hereof (the “**Proposals**”) and the current published administrative policies and assessing practices of the CRA. No assurance can be given that the Proposals will be implemented in their current form, or at all. Except for the Proposals, this summary does not take into account or anticipate any changes in the law whether by judicial, regulatory, governmental or legislative action, nor does it take into account tax laws of any province or territory of Canada, or of any jurisdiction outside Canada. Provisions of provincial income tax legislation vary from province to province in Canada and may differ from federal income tax legislation.

This summary is of a general nature only and is not intended to constitute, nor should it be relied upon or construed as, tax advice to any particular Unitholder, nor is it exhaustive of all possible Canadian federal income tax considerations. This summary does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. Unitholders should consult their own tax advisors as to the overall consequences of their acquisition, ownership and disposition of Units having regard to their particular circumstances.

7.1.1 Taxation of the Partnership

The Partnership is not subject to income tax under the Tax Act. However, the Partnership is required to compute its income (or loss) in accordance with the provisions of the Tax Act as if it were a separate person resident in Canada. The fiscal period of the Partnership for purposes of the Tax Act ends on the 31st day of December in each year, and a fiscal period of the Partnership will end on the dissolution of the Partnership.

In computing its income or loss the Partnership will be entitled to deduct expenses incurred by it in the fiscal period in which they are incurred to the extent such expenses are reasonable in amount and their deduction is permitted by the Tax Act.

7.1.2 Taxation of Unitholders

Computation of Income and Loss

Each Unitholder will generally be required to include in computing their income or loss for tax purposes in a taxation year, the share of the income or loss (including taxable capital gains and allowable capital losses) of the Partnership allocated to such Unitholder for each fiscal period of the Partnership that ends in the taxation year of the Unitholder, whether or not the Unitholder has received or will receive a distribution from the Partnership.

Subject to the “at-risk rules” discussed below, a Unitholder’s share of a loss of the Partnership (other than allowable capital losses) for any fiscal period of the Partnership may be deducted from income of the Unitholder from any source to reduce the Unitholder’s net income for the relevant taxation year and, to the extent such loss exceeds net income for that year, carried back three years and forward twenty years and applied against taxable income in such other years, subject to and in accordance with detailed rules in the Tax Act. A Unitholder’s share of allowable capital losses of the Partnership may be applied against taxable capital gains and may be carried back three years or forward indefinitely, subject to and in accordance with detailed rules in the Tax Act.

Notwithstanding the income or loss allocation provisions of the LPA, any losses of the Partnership (other than allowable capital losses) allocated to a Unitholder in respect of a fiscal period of the Partnership ending in a taxation year of the Unitholder will be deductible by such Unitholder in computing income for such taxation year only to the extent that, in general terms, the Unitholder's share of the loss does not exceed the Unitholder's "at-risk amount" in respect of the Partnership at the end of the fiscal period of the Partnership ending in the taxation year. In general terms, the "at-risk amount" in respect of the Partnership at the end of a fiscal period of the Partnership is generally equal to (i) the adjusted cost base to the Unitholder of the Unitholder's Units at that time, plus (ii) subject to certain adjustments, the Unitholder's share of the income from all sources of the Partnership for the fiscal period, less (iii) subject to certain exceptions, all amounts owing by the Unitholder (or by a person or partnership which does not deal at arm's length with the Unitholder) to the Partnership (or to a person or partnership that does not deal at arm's length with the Partnership) and less (iv) subject to certain exceptions, any amount or benefit which the Unitholder (or a person who does not deal at arm's length with the Unitholder) is entitled to receive where the amount or benefit is intended to reduce the impact of any loss the Unitholder might sustain by virtue of being a member of the Partnership or of holding or disposing of the Unitholder's Units.

A Unitholder's share of any loss of the Partnership that is not deductible in the year because of the "at-risk rules" is deemed to be the Unitholder's "limited partnership loss" in respect of the Partnership for that year. In general terms, such "limited partnership loss" may be deducted in any subsequent taxation year against any income of the Unitholder for that year to the extent that the Unitholder's "at-risk amount" at the end of the Partnership's fiscal period ending in that year exceeds the Unitholder's share of any loss of the Partnership for that fiscal period.

In general, every member of a partnership must, in accordance with the Regulations, file an information return in prescribed form which contains specified information for each taxation year of the partnership. The General Partner has agreed to file the necessary information return, which will be deemed to have been made by each member of the Partnership. However, the responsibility for filing any required tax returns and reporting the Unitholder's share of the income or loss of the Partnership falls solely upon the Unitholder.

Unitholders should obtain tax advice regarding the potential application of the alternative minimum tax to income from the Partnership, including where the Unitholder has previously been allocated losses from the Partnership.

A Unitholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may also be liable to pay an additional refundable tax on the Unitholder's share of certain investment income, including taxable capital gains and interest.

Disposition of Units

Generally, a Unitholder that disposes or is deemed to dispose of Units (including on the redemption of a Unit) will realize a capital gain (or capital loss) on the disposition. The capital gain (or capital loss) will generally be the amount, if any, by which the proceeds of disposition of the Units, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Unitholder of the Units immediately before the disposition. The treatment under the Tax Act of capital gains and capital losses is described below under "*Taxation of Capital Gains and Capital Losses*".

Subject to the detailed rules of the Tax Act, the adjusted cost base of Units to a Unitholder is the subscription price of the Units plus the Unitholder's share of any income of the Partnership (including the full amount of any capital gains) for any previously completed fiscal periods, less: (i) the Unitholder's share of the losses of the Partnership (including the full amount of any capital losses) for any fiscal period ending before

that time (except where any portion of such losses were included in the Unitholder's "limited partnership loss" in respect of the Partnership as such losses will reduce the adjusted cost base of the Units only to the extent they have been previously deducted) and (ii) any distributions made at any time to the Unitholder by the Partnership. The adjusted cost base of each Unit will be the average of the adjusted cost base of all Units held by a Unitholder. If the adjusted cost base of a Unitholder's Units would otherwise be a negative amount at the end of a fiscal period of the Partnership, the negative amount is deemed to be a capital gain realized by the Unitholder and the adjusted cost base will be increased by the amount of such deemed capital gain.

Taxation of Capital Gains and Capital Losses

Generally, Unitholders will be required to include in computing their income for a taxation year one-half of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Unitholder is required to deduct one-half of any capital loss (the "**allowable capital loss**") realized in a taxation year from taxable capital gains realized in the year by such Person. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward indefinitely and deducted against taxable capital gains realized in a subsequent year to the extent and under the circumstances described in the Tax Act.

A Unitholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) throughout a taxation year may be liable to pay a refundable tax on certain investment income including taxable capital gains.

If a Unitholder disposes of Units and the Unitholder, the Unitholder's spouse or another person affiliated with the Unitholder (including a corporation controlled by the Unitholder) has acquired Units within 30 days before or after the Unitholder disposes of its Units, a capital loss that would otherwise be realized by the Unitholder may be suspended or denied.

Capital gains realized by a Unitholder that is an individual (including certain trusts) on the disposition of Units and amounts designated by the Partnership to a Unitholder as taxable capital gains or dividends from taxable Canadian corporations may give rise to alternative minimum tax.

7.1.3 Eligibility for Investment by Registered Plans

The Units are not eligible for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan, a tax-free savings account, or a deferred profit sharing plan (each as defined in the Tax Act).

7.1.4 Tax Information Reporting

Pursuant to the Canada-United States Enhanced Tax Information Exchange Agreement and related Canadian legislation found in Part XVIII of the Tax Act, "reporting Canadian financial institutions" have certain due diligence and reporting obligations in respect of their "U.S. reportable accounts". The Partnership may fall within the meaning of "reporting Canadian financial institution" and may be required to provide information to the CRA in respect of Unitholders who are "US reportable accounts". Accordingly, certain Unitholders (individuals and certain entities) may be requested to provide information to the Partnership and/or their registered dealer relating to their citizenship, residency and, if applicable, a U.S. federal tax identification number or such information relating to controlling persons in the case of certain entities. If a Unitholder (or a controlling person of a Unitholder in the case of certain entities) is a U.S. person (including a U.S. citizen) or if a Unitholder does not provide the requested information, Part XVIII of the Tax Act generally requires information about the Unitholder's investments to be reported to the CRA. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

There are also due diligence and reporting obligations included in Part XIX of the Tax Act that implement the OECD Common Reporting Standard (“CRS”) which provides for the implementation of the automatic exchange of tax information applicable to residents of certain countries other than Canada or the United States. Accordingly, certain Unitholders (individuals and certain entities) may be requested to provide information to the Partnership or their registered dealer regarding their residency for tax purposes including their tax identification numbers (or such information relating to controlling persons in the case of certain entities). If a Unitholder (or a controlling person of a Unitholder in the case of certain entities) is tax resident in a foreign country (other than the U.S) or if a Unitholder does not provide the requested information, Part XIX of the Tax Act generally requires information about the Unitholder’s investment to be reported to the CRA. The CRA is expected to provide that information to countries that have adopted the CRS.

If a Unitholder does not provide the information required to comply with these obligations under Part XVIII and/or Part XIX of the Tax Act, as the case may be, the Unitholder’s Units may be redeemed at the sole discretion of the Asset Manager.

ITEM 8 COMPENSATION PAID TO SELLERS AND FINDERS

The Units will be sold by Registered Dealers that may be duly authorized by the Partnership, from time to time, through certain non-exclusive agency or distribution agreements under which the Registered Dealers would offer the Units for sale to Subscribers on a commercially reasonable best efforts basis.

For Class “A” Units, where permitted by securities legislation of a jurisdiction, the Partnership will pay the following commission to Registered Dealers who refers Subscribers resident in such jurisdiction that results in a sale of Units to Subscribers under this Offering:

- a) an upfront commission, at the discretion of the Asset Manager, of no greater than one percent (1%) of the gross subscription proceeds; and
- b) a semi-annual trailing commission of up to 0.50% of the book value of Units held by investors who purchased their Units from the Registered Dealer. Such trailing commission is payable at the end of each six-month period that the applicable Units have been held by the investor after the initial twelve months. No trailing commission will be payable on Units which have been redeemed or otherwise transferred, withdrawn or returned.

For Class “B” Units, where permitted by securities legislation of a jurisdiction, the Partnership will pay an upfront commission of up to four percent (4.00%) of the gross subscription proceeds to Registered Dealers who refers Subscribers resident in such jurisdiction that results in a sale of Units to Subscribers under this Offering.

The Partnership is responsible for the payment of upfront commissions to Registered Dealers, which will accordingly reduce the investment proceeds available to the Partnership. Trailing commissions, if any, are expected to be paid from the income generated by mortgage investments.

ITEM 9 RISK FACTORS

There are certain risks inherent in an investment in the Units and in the activities of the Partnership, which investors should carefully consider before investing in the Units. The following is a summary only of the risk factors. Prospective investors should review the risks relating to an investment in the Units with their legal and financial advisors.

The Partnership advises that prospective Subscribers should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Units in order to determine the appropriateness of this investment in relation to their financial and investment objectives and in relation to the tax consequences of any such investment.

In addition to the factors set forth elsewhere in this Offering Memorandum, prospective Subscribers should consider the following risks before purchasing Units. Any or all of these risks, or other as yet unidentified risks, may have a material adverse effect on the Partnership's business, and/or the return to the Subscribers.

9.1 Investment Risk

Risks that are specific to the Units being offered under this offering include:

- (a) ***Absence of Market for Units*** – There is no public market for the Units. The Units are not listed on a stock market or quoted on any public market in Canada or elsewhere.
- (b) ***Liquidity*** – Unitholders have the right to require the Partnership to redeem their Units upon prescribed notice to the Partnership as set forth in Item 5.1 “*Terms of Securities*”. The Partnership provides no assurance that any Unitholder will be able to redeem any or all of their Units at any time. Redemption is subject to the availability of funds and compliance with the applicable corporate, tax and securities legislation.
- (c) ***No Guarantees*** – There is no assurance that the Partnership will be able to pay distributions at levels targeted by the Partnership or at all. The funds available for distribution to Unitholders will vary according to many factors (including the interest and principal payments received in respect of mortgage loans indirectly held by the Partnership and the rate of return on the Partnership's cash balances, among other factors). Although mortgage loans and equity investments made by the Partnership are carefully selected by the Asset Manager, there can be no assurance that such loans or investments will have a guaranteed rate of return to investors or that losses will not be suffered on one or more loans or investments. Moreover, at any point in time, the interest rates being charged for mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on mortgage investments will also change. In the event that additional security is given by the borrower or that a third party guarantees the mortgagor's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Partnership whole if and when resort is to be had thereto.
- (d) ***Lack of Separate Legal Counsel*** – Counsel for the Partnership does not purport to have acted for the Investors or to have conducted any investigation or review on their behalf.
- (e) ***Leverage by the Partnership*** – The Partnership may from time to time borrow under loans with Canadian chartered banks and others. See Item 2.2.1 – “*Mortgage and Lending Arrangements – Use of Leverage*”. Through the Credit Facility and/or similar loans, the Partnership intends to borrow to the extent that the Asset Manager is satisfied that such borrowing and additional investments will increase the overall profitability of the Partnership. The obligations under such loans may be secured, and while the addition of leverage has the potential to enhance returns, it also involves additional risks. For example, due to the varying loan maturities and constant fluctuations in interest rates, there is no assurance that the interest received by the Partnership on its mortgage investments will always exceed the interest the Partnership pays on loans that it may have previously taken out to finance mortgage investments. Therefore, there can be no assurance that the leveraging employed by the Partnership will enhance returns, and to the extent that secured

lenders realize on their respective collateral, they will have right to receive distributions in priority to the Unitholders in addition to the right to seize mortgage assets pursuant to security agreements with the Partnership.

- (f) **Public Health Crises** – The Partnership’s business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. On March 11, 2020, the World Health Organization designated the COVID-19 outbreak as a pandemic and many governments have declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity.

Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, declining trade and market sentiment and reduced mobility of people, or a fear of any of the foregoing, all of which could affect interest rates, credit ratings, credit risk and inflation.

Further impacts could include the inability of borrowers to make mortgage payments, decreases in the fair value of our mortgage investments or the underlying real estate provided as security for those mortgages; all of which could potentially lead to future decreases in revenue or the profitability of our ongoing operations. The risks to the Partnership of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak.

While these effects are expected to be temporary, the duration of the business disruptions and related financial impact on the economy and our business cannot be reasonably estimated at this time. The extent to which COVID-19 or any other public health crises may impact the Partnership’s activities will depend on future developments such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions and the effectiveness of actions taken in Canada and other countries to contain and treat the disease.

Currently, conditions surrounding COVID-19 continue to rapidly evolve and the extent to which COVID-19 may impact the Partnership is uncertain. However, it is possible that COVID-19 may have a material adverse effect on the Partnership’s business, results of operations and financial conditions.

9.2 Issuer Risk

Risks that are specific to the Partnership include the following:

- (a) **Reliance on third parties** - In assessing the risk of an investment in the Partnership, potential investors should be aware that they will be relying on the good faith, experience and judgment of certain staff of the Asset Manager. Should these staff be unable or unwilling to continue their employment with the Asset Manager, this could have an adverse effect on the Partnership’s business, financial condition and results of its operations, which in turn may adversely affect the Partnership’s ability to perform its obligations and its ability to maintain distributions on the Units at a consistent and desirable level. The competition for such key qualified personnel is intense and there can be no assurance of

success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the Partnership's business, financial condition and results of operations which in turn may adversely affect the Partnership's ability to perform its obligations and its ability to maintain distributions on the Units at a consistent and desirable level.

- (b) ***Debt financing risk*** – The Partnership's indebtedness under the Credit Facility will be repayable upon demand by the lender. If the Partnership is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The Credit Facility is expected to be secured against all of the personal property of the Partnership, including its mortgage portfolio, entitling the lender to seize such assets in the event of the Partnership's default. The failure of the Partnership to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could have a material adverse effect on the Partnership's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.
- (c) ***Interest rate risk*** – To the extent that the Partnership borrows money under the Credit Facility or other variable rate debt, interest rates changes will result in fluctuations in the Partnership's cost of borrowing. To the extent that interest rates rise, there may be a material adverse effect on the Partnership's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.
- (d) ***Conflicts of interest*** - The Asset Manager is required to satisfy a standard of care in exercising its duties with respect to the Partnership. However, neither the Asset Manager nor its officers, directors, affiliates, or employees are required to devote all or any specified portion of their time to their responsibilities relating to the Partnership. The Asset Manager and its officers, directors, affiliates, or employees may undertake financial, investment or professional activities which give rise to conflicts of interest with respect to the Partnership.

Certain inherent conflicts of interest arise from the fact that the Asset Manager may carry on investment activities for other clients (including RESCO MIC and other investment entities managed by the Asset Manager) in which the Partnership will have no interest. Future investment activities by the Asset Manager, including the establishment of other investment entities, may give rise to additional conflicts of interest.

The Asset Manager may engage in the promotion, management or investment management of or provide other services to investment entities. These competing entities may have investment policies similar to those of the Partnership, and the Asset Manager may be compensated in a different manner in respect of those entities. Accordingly, there may be instances in which an investment opportunity may be suitable for the Partnership as well as other mortgage lenders or investors with whom the Partnership and/or the Asset Manager has business relations. In such cases, the Asset Manager will follow procedures designed to ensure an appropriate allocation of available investment opportunities among the Partnership and competing investment entities, but it ultimately has sole discretion to take such action as it sees fit. Additionally, other entities managed by the Asset Manager may participate as co-investors with the Partnership in investments. Such co-investments may create conflicts of interest.

Transactions between the Partnership, Asset Manager, Mortgage Administrator, and other entities managed by the Asset Manager may be entered into without the benefit of arm's

length bargaining. There can be no assurance that will result in the Partnership obtaining outcomes as good as it might otherwise obtain if such determinations had been made and transactions negotiated on an arm's-length basis.

There is no assurance that any conflicts of interest that may arise will be resolved in a manner most favourable to Unitholders. Persons considering a purchase of Units pursuant to this Offering must rely on the good faith, experience, and judgment of the Asset Manager in resolving such conflicts of interest as may arise.

The Partnership has agreed that neither the Asset Manager nor the Mortgage Administrator will be liable to the Partnership for default under the Asset Management Agreement or Mortgage Administration Agreement, respectively, due to the Asset Manager, the Mortgage Administrator, or any of their respective directors, officers, or their affiliates, engaging in business activities outside of their provision of services to the Partnership, even though such activities may be in competition with the Partnership or involve substantial time and resources, so long as they meet the standards of care respectively provided for in the Asset Management Agreement and the Mortgage Administration Agreement.

- (e) ***Tax Related Risks*** - There can be no assurance that tax laws and administrative policies and assessing practices of taxing authorities will not be changed in a manner that adversely affects the Partnership or Unitholders.

There can be no assurance that taxing authorities will agree with the tax treatment adopted by the Partnerships or the Partnership in its tax filings. Any disagreement could result in additional tax being payable by the Partnership or by Unitholders. A reassessment may result in the Partnership being liable for unremitted withholding tax on prior distributions to non-resident Unitholders.

9.3 Industry Risk

There are also risks faced by the Partnership related to the industry in which it operates. Real estate values are subject to fluctuation owing to a variety of supply and demand factors impacting real estate markets. In addition, prospective Investors should take note of the following:

- (a) ***Competition*** – The Partnership competes with others in the real estate business, such as developers seeking opportunities in Ontario and elsewhere in Canada. There is no assurance that the number of mortgages required to maintain an optimal level of investment will be funded, and this could have an adverse effect on the Partnership's businesses, financial condition and results of operations which in turn may adversely affect the Partnership's performance and its ability to maintain distributions on the Units at a consistent and desirable level.

Such third parties may have greater name recognition and greater financial, managerial and technical resources than the Partnership. Competitors may reduce the interest rates that they charge, resulting in a reduction in the Partnership's share of the market, reduced interest rates on loans and reduced profit margins.

- (b) ***Sensitivity to interest rates*** – It is anticipated that the value of the Partnership's portfolio at any given time may be affected by the level of interest rates prevailing at such time. A substantial portion of the Partnership's income will consist primarily of interest payments

on the mortgages comprising the portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Partnership's mortgage assets are based), mortgage loan rates may decrease, affecting the Partnership's returns. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Partnership's results of operations which in turn may adversely affect the Partnership's ability to maintain distributions on the Units at a consistent and desirable level. Due to the term of the mortgages made by the Partnership and the inability to accurately predict the extent to which the Partnership's mortgages may be prepaid, it is possible that the Partnership may not be able to sufficiently reduce interest rate risk associated with the replacement of such mortgages through new investments in mortgages.

- (c) ***Changes in property values*** – The Partnership's mortgage loans will be secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. While independent appraisals will be required before the Partnership makes a mortgage investment, the appraised values, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or making of leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and, if and to the extent they are not satisfied, the loan amount may prove to exceed the value of the underlying real property thus resulting in a loan loss if the property must be sold to remedy a mortgage default. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.
- (d) ***Environmental liability*** – Under various laws, the Partnership could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes, where the Partnership has exercised its right of re-entry or foreclosure or has otherwise assumed the control, occupation or management of the property. While the Partnership may obtain a Phase I environmental audit where there is a reasonable possibility of environmental contamination that might impact the value and marketability of a property, the Partnership does not systematically obtain environmental audits of all properties subject to mortgages.
- (e) ***Investment not insured*** – Neither the Asset Manager nor the Partnership is a member of the Canada Deposit Insurance Corporation and the Units offered hereunder are therefore not insured against loss through the Canada Deposit Insurance Corporation. Moreover, mortgages held by the Partnership are not insured through the Canada Mortgage and Housing Corporation or otherwise.
- (f) ***Renewal of Mortgages*** – There can be no assurances that any of the mortgages held by the Partnership can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage held by the Partnership, it is possible that either the mortgagor, the mortgagee, i.e. the Partnership, or both, will elect not to renew such mortgage. In addition, if the mortgages in the Partnership's portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the

mortgagors and the mortgagees at the time of renewal and the terms of a refinancing may therefore not be as favourable as the terms of existing indebtedness.

- (g) ***Nature of the investments*** – Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Asset Manager’s ability to vary the mortgage portfolio promptly in response to changing economic or investment conditions. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. The Partnership may be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.
- (h) ***Specific investment risk for non-conventional mortgage investments*** – Non-conventional mortgage investments attract higher loan loss risk. This higher risk is compensated for by a higher rate of return. The failure of one or more borrowers to make payments according to the terms of their loan could result in the Partnership exercising its rights as mortgagee and may adversely affect the Partnership’s rate of return, which is directly correlated to the Partnership’s receipt of mortgage payments. Also, the recovery of a portion of the Partnership’s assets, i.e. the property put up as collateral by the defaulting mortgagor, would be tied up for a period of time, diverting resources away from the funding of new investments. Legal fees and other costs incurred by the Partnership in enforcing its rights as mortgagee against a defaulting borrower are indirectly borne by the Partnership. Although these fees and costs are often recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, there is no assurance that they will actually be recovered. Due to fluctuations in the housing market and the economy generally, there is a possibility that historical loan default rates may increase and that in any power of sale, the Partnership could lose a substantial portion of the principal amount loaned to the borrower. Excessive loan loss could affect materially the Partnership’s business, financial condition and results of operations which in turn may adversely affect the Partnership’s ability to perform its obligations and its ability to maintain distributions on the Units at a consistent and desirable level. Deferred Lending Fees may reduce the amount of equity participation, and conversely, the full amount of success fees (Structured Interest) payments may not be realized.
- (i) ***Priority over security*** – The Partnership will generally make loans only in situations where it will receive a first charge on the property. However, any real property may be or become subject to one or more liens which will take priority over a mortgage, even a first-ranking one. Such liens may arise, for example, as a result of unpaid municipal taxes or utility bills. It is possible for the lienholder to take a number of actions against the borrower and ultimately against the underlying real property. Such actions may include foreclosure, the exercising of a giving-in-payment clause or an action forcing the underlying real property to be sold (known as a “**power of sale**”). Foreclosure or the exercise of a power of sale may have the ultimate effect of partially or completely depriving any person, even the holder of a first-ranking charge on the underlying real property, of the security of such real property. If an action is taken to sell the underlying real property and sufficient proceeds are not realized from such sale to pay off lienholders ranking prior to the Partnership, the Partnership may lose all or part of its investment to the extent of such deficiency, unless it can otherwise recover such deficiency from other property owned by the borrower.

ITEM 10 REPORTING OBLIGATIONS

The Partnership is not subject to continuous reporting and disclosure obligations which the securities legislation in any province would require of a “reporting issuer” as defined in such legislation and there is therefore no requirement that the Partnership make disclosure of its affairs, including, without limitation, the prompt notification of material changes by way of press releases and formal filings. The Partnership is required to comply with certain disclosure requirements, including disclosure of such information, financial statements and documents as required by applicable securities laws for a non-reporting issuer that distributes securities using the Offering Memorandum Exemption. The Partnership makes available to Unitholders audited annual financial statements for the Partnership and such other reports and information as the Asset Manager may determine.

Annually, each Unitholder receives a report from the Asset Manager discussing the performance of the Partnership during the previously completed financial year. The financial year of the Partnership ends on the 31st of December of each year.

ITEM 11 RESALE RESTRICTIONS

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation. The Partnership will not become a reporting issuer upon completion of this offering and does not currently anticipate ever becoming a reporting issuer. **The resale restriction on the securities may therefore never expire.**

Furthermore, unless permitted under securities legislation, in Manitoba, you must not trade the Units without the prior written consent of the regulator in Manitoba unless:

- (a) the Partnership has filed a prospectus with the regulator in Manitoba with respect to the Units you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the Units for at least twelve (12) months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

Requests to transfer Units of the Partnership will be acceded to by the Partnership provided that the requested transfer of Units does not contravene any law, rule, policy or regulation prescribed by any applicable securities commission or the provisions of any other applicable laws. For greater certainty, the terms “transfer” and “transferred” shall not be construed so as to include a tender of Units by a Unitholder for the purpose of their redemption by the Partnership.

The Partnership is not a “reporting issuer”, as such term is defined under applicable Canadian securities laws, in any province or territory of Canada. Investors are advised that the Partnership currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Units to the public in any province or territory of Canada in connection with this offering, nor does the Partnership otherwise intend on becoming a reporting issuer. As it is not anticipated that the Partnership will become a reporting issuer, the hold period for the Units may never expire and you will not be able to trade or resell your Units unless you comply with an exemption from the prospectus and registration requirements under applicable securities legislation. Accordingly, it is expected that the sole method of liquidation of an investment in Units will be by way of redemption of the Units.

Purchasers should consult their legal advisors to determine the resale restrictions, availability of further exemptions or the possibility of obtaining a discretionary order.

ITEM 12 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.

Two Day Cancellation Right

You can cancel your agreement to purchase the Units offered pursuant to this Offering Memorandum. To do so, you must send a notice to the Asset Manager by midnight on the second business day after you sign the subscription agreement to buy the Units.

Statutory Rights of Action in the Event of a Misrepresentation

Any Marketing Materials related to this Offering which are delivered or made reasonably available to a purchaser before the closing of that purchaser's subscription for Units are deemed to be incorporated by reference in this Offering Memorandum. As used herein, "Marketing Materials" has the same meaning as "OM marketing materials" has in NI 45-106.

Securities legislation in certain of the Canadian provinces provides certain purchasers of securities pursuant to an offering memorandum (such as this Offering Memorandum) with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment thereto contains a "misrepresentation", as defined in the applicable securities legislation. A "misrepresentation" is generally defined in the applicable securities legislation to mean an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation. See Appendix A.

ITEM 13 FINANCIAL STATEMENTS

The audited financial statements of the Partnership for the previous two financial years ended December 31, 2023 and December 31, 2022 are attached.

RESCO FIRST MORTGAGE FUND LP

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

RESCO FIRST MORTGAGE FUND LP

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For the year ended December 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the partners of RESCO First Mortgage Fund LP,

Opinion

We have audited the statement of financial statements of RESCO First Mortgage Fund LP ("the Limited Partnership") which comprise the statement of financial position as at December 31, 2023, and the statements of comprehensive income and partners' equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RESCO First Mortgage Fund LP as at December 31, 2023 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Limited Partnership 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Limited Partnership'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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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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 Limited Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Limited Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Limited Partnership 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.

RMB Rosenswig McKee Rosso LLP

Toronto, Ontario
April 12, 2024

Chartered Professional Accountants
Licensed Public Accountants

RESCO FIRST MORTGAGE FUND LP

Statement of Financial Position

As at December 31, 2023

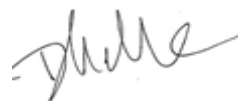
| | 2023 | 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| ASSETS | | |
| Cash and cash equivalents | 52,122 | 126,955 |
| Accounts receivable | - | 80,000 |
| Mortgages receivable (Note 7) | 4,423,112 | 7,483,744 |
| Prepaid expenses | 1,600 | 1,600 |
| | 4,476,834 | 7,692,299 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 22,042 | 24,790 |
| Distribution payable | 23,046 | 104,001 |
| | 45,088 | 128,791 |
| EQUITY | | |
| Partners' equity (Note 9) | 4,431,746 | 7,563,508 |
| | 4,476,834 | 7,692,299 |

The accompanying notes are an integral part of these financial statements

Approved on behalf of the LP:



Partner



Partner

RESCO FIRST MORTGAGE FUND LP

Statement of Comprehensive Income and Changes in Equity

For the year ended December 31, 2023

| | 2023 | 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| Revenues | | |
| Mortgage interest | 487,318 | 726,121 |
| Late payment fees | 4,015 | 38,004 |
| Lender fees | 16,006 | 325,673 |
| Renewal fees | 75,288 | 22,500 |
| | 582,627 | 1,112,298 |
| Expenses | | |
| Bank charges | 3,957 | 5,157 |
| Bank interest | 20,000 | 244,636 |
| Legal fees | 426 | - |
| Management fee | 29,997 | 62,761 |
| Office expenses | 301 | - |
| Professional fee | 24,039 | 42,178 |
| Portfolio administration commission | - | 1,400 |
| Regulator fees | 640 | 4,000 |
| Amortization of referral fees | 29,805 | 37,636 |
| | 109,165 | 397,768 |
| Net Comprehensive income for the year | 473,462 | 714,530 |

The accompanying notes are an integral part of these financial statements

RESCO FIRST MORTGAGE FUND LP

Statement of Partners' Equity

For the year ended December 31, 2023

| | 2023 | | 2022 | |
|--|----------------|------------------|----------------|------------------|
| | Units | Amount \$ | Units | Amount \$ |
| Class A Units | | | | |
| Balance, beginning of year | 415,200 | 4,152,000 | 401,200 | 4,012,000 |
| Add: Contributions | 37,000 | 370,000 | 176,000 | 1,760,000 |
| Less: Redemptions | (206,700) | (2,067,000) | (162,000) | (1,620,000) |
| Add: Share in net comprehensive income | - | 156,468 | - | 203,128 |
| Less: Distributions | - | (156,468) | - | (203,128) |
| | 245,500 | 2,455,000 | 415,200 | 4,152,000 |
| Class B Units | | | | |
| Balance, beginning of year | 335,000 | 3,350,000 | 170,000 | 1,700,000 |
| Add: Contributions | 25,000 | 250,000 | 215,000 | 2,150,000 |
| Less: Redemptions | (165,000) | (1,650,000) | (50,000) | (500,000) |
| Add: Share in net comprehensive income | - | 170,542 | - | 195,750 |
| Less: Distributions | - | (170,542) | - | (195,750) |
| | 195,000 | 1,950,000 | 335,000 | 3,350,000 |
| GP Units | | | | |
| Balance, beginning of year | 1 | 135,662 | 1 | 87,352 |
| Add: Share in net comprehensive income | - | 146,452 | - | 315,652 |
| Less: Distributions | - | (235,652) | - | (267,342) |
| | 1 | 46,462 | 1 | 135,662 |
| Total balance for Unitholders | 440,501 | 4,451,462 | 750,201 | 7,637,662 |
| Referral fees | - | (19,716) | - | (74,154) |
| Balance, end of year | 440,501 | 4,431,746 | 750,201 | 7,563,508 |

The accompanying notes are an integral part of these financial statements

RESCO FIRST MORTGAGE FUND LP

Statement of Cash Flows

For the year ended December 31, 2023

| | 2023 | 2022 |
|---|-----------------|----------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Net comprehensive income for the year | 473,462 | 714,530 |
| Adjustment for: | | |
| Amortization of referral fees | 29,805 | 37,636 |
| | 503,267 | 752,166 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Decrease in accounts receivable | 80,000 | 520,000 |
| Decrease in accounts payable and accrued liabilities | (2,748) | (27,961) |
| (Decrease) Increase in dividend payable | (80,955) | 41,406 |
| Cash provided by operating activities | 499,564 | 1,285,611 |
| Cash flows from investing activities | | |
| Net discharge (advance) of mortgages | 3,060,632 | (2,275,748) |
| Cash provided by (used in) investing activities | 3,060,632 | (2,275,748) |
| Cash flows from financing activities | | |
| Partners' (withdrawals) contributions | (3,097,000) | 1,790,000 |
| Partners' distributions | (562,662) | (666,220) |
| Redemption (referral fees) | 24,633 | (59,750) |
| Cash (used in) provided by financing activities | (3,635,029) | 1,064,030 |
| Net (decrease) increase in cash | (74,833) | 73,893 |
| Cash, beginning of year | 126,955 | 53,062 |
| Cash, end of year | 52,122 | 126,955 |

The accompanying notes are an integral part of these financial statements

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2023

1. Limited partnership

Resco First Mortgage Fund LP (the "Limited Partnership") is a limited partnership established under the laws of the Province of Ontario on December 10, 2019 and governed by an amended and restated limited partnership agreement ("Limited Partnership Agreement") dated February 28, 2020. The address of the Limited Partnership's registered office is 360 Highway 7 East, Unit 28, Richmond Hill Ontario. The Limited Partnership's general partner is Resco First Mortgage Fund GP Corp. (the "General Partner").

The Limited Partnership was formed for the purpose of investing in residential mortgages and is managed by Radiance Mortgage Brokerage Inc. (the "Manager"), a corporation formed under the laws of the Province of Ontario. The Manager provides portfolio management and mortgage brokerage services. The General Partner has also engaged 5C Capital Inc. ("the Administrator"), a corporation formed under the laws of the Province of Ontario, to provide mortgage administration services.

2. Summary of significant accounting policies and basis of presentation

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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the functional currency of the Limited Partnership.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss are measured at fair value with changes in fair value. The methods used to measure fair values are discussed in note 4.

Use of estimates and judgments

The preparation of 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 results may vary from these estimates.

Fair value of mortgage receivable

The Limited Partnership is required to make estimates relating to the fair value of mortgages receivable. 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 present and future legislation or regulation, prior encumbrances and other factors affecting the investments and underlying security of the investments. These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. By their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2023

2. Significant accounting policies (continued)

Expected credit losses on mortgage receivables

The Limited Partnership assesses the impairment and extent of losses on mortgages at each reporting date, and books a provision for mortgage losses accordingly. Judgement by management is required in assessing where there has been a significant increase in credit risk when a mortgage is impaired. Estimates are required to determine the amount and timing of future cash flows when determining losses. In estimating future cash flows, the Partnership makes judgements about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

3. Significant accounting policies

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized in accordance with IFRS 9.

Recognition and initial measurement

Financial instruments are recognized on the date of origination at the fair value of consideration exchanged. Except for financial instruments carried at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to its issuance.

Classification and subsequent measurement

Under IFRS 9, classification of financial assets is determined based on:

- (i) the business model under which the assets is held; and
- (ii) the contractual cash flow characteristics of the instrument

The Company's financial assets are predominantly comprised of mortgages receivable. Mortgages are managed in order to generate cash flows from collection of contractual cash flows. Contractual cash flows are consistent with basic lending arrangements and represent cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Accordingly, mortgages receivable are classified as amortized cost instruments using the effective interest rate method.

All other financial assets and liabilities are classified as amortized cost instruments.

Impairment of financial assets

The Company recognizes expected credit losses (ECL) at an amount equal to 12 month ECL, if the credit risk on a mortgage at the reporting date has not increased significantly since initial recognition (Stage 1). A lifetime ECL is recorded on performing mortgages which are considered to have experienced a significant increase in credit risk (Stage 2) and on credit impaired financial assets (Stage 3).

The main factors considered in determining a significant increase in credit risk include relative changes in probability of default since origination and certain other criteria such loan delinquency.

Evidence of a significant increase in credit risk include factors such as:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization; and/or
- measurable decrease in the estimated future cash flows from the loan or underlying assets that back the mortgage.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2023

3. Significant accounting policies (continued)

Generally, mortgages overdue for 30 days are considered Stage 2 mortgages and those overdue by 90 days are considered impaired (Stage 3). However, a mortgage overdue by 90 days or more may be considered Stage 2 if the liquidation value of the collateralized assets is sufficient to prevent mortgage losses. All other performing assets are considered Stage 1.

Credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events over the expected life of a financial instrument.

The probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD") inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Presentation of allowance for ECL

Mortgages receivable are presented on a net basis, where the loss allowances for ECL (the "provision for mortgage losses") are deducted from the gross carrying amount of the assets.

Write-offs

Mortgages are written off when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or a source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities.

Revenue recognition

Mortgage interest is recognized in the statement of comprehensive income using the effective interest method. Other income is recognized as earned.

Referral fees

Referral fees are paid in connection with raising of limited partnership capital. The fees are amortized over the period that early redemption fees are charged. The amount not yet amortized is recognized as a deduction from equity.

Provisions and contingent liabilities

Provisions and contingent liabilities are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Provisions and contingent liabilities are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2023

3. Significant accounting policies (continued)

Related party transactions

All related party transactions must be disclosed in the financial statements which include the amount of the transactions, the amount of outstanding balances, including terms, provisions for doubtful debts related to outstanding balances and the expense recognized during the period in respect to bad or doubtful debts from related parties.

4. Determination of fair values

The Limited Partnership's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements. The Limited Partnership classifies fair value measurements within a hierarchy which gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchies are:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Cash is classified as level 1. Mortgage receivable is classified as level 3.

For mortgages receivable, there are no quoted prices in an active market. Management makes its fair value determination by discounting future cash flows at the effective interest rate of the mortgages receivable. The discounted cash flow analysis assumed that all mortgages will be held until maturity. Given the short-term nature of the Limited Partnership's mortgages receivables, generally the fair value approximates their carrying values.

5. Financial risk management

Overview

The Limited Partnership's planned operations will expose it to a variety of financial risks that arise as a result of its operating and financing activities:

- i. credit risk;
- ii. liquidity risk;
- iii. market risk; and
- iv. operational risk.
- v. interest rate risk, and
- vi. capital risk

This note presents information about the Limited Partnership's exposure, objectives, policies and processes for measuring and managing each of the above risks.

The Limited Partnership employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Limited Partnership's business objectives and risk tolerance levels. While the General Partner has the overall responsibility for the establishment and oversight of the Partnership's risk management framework, management has the responsibility to administer and monitor these risks.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2023

5. Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Limited Partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Limited Partnership's mortgage receivables.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | |
|----------------------|---------------------|
| Cash | \$ 52,122 |
| Accounts receivable | 33,112 |
| Mortgages receivable | 4,390,000 |
| | <u>\$ 4,475,234</u> |

Cash consists of bank deposits. The Limited Partnership manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Mortgages receivable are issued to borrowers who must pass a credit check. Given these credit ratings, management expects minimal counterparty risk.

Liquidity risk

Liquidity risk is the risk that the Limited Partnership will not be able to meet its financial obligations as they are due. The Limited Partnership's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Limited Partnership's ongoing liquidity will be impacted by various external events and conditions.

The Limited Partnership expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through future operational cash flows.

As at December 31, 2023, the management considers that the Limited Partnership does not have significant exposure to liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Limited Partnership's net income or the value of financial instruments. The objective of the Limited Partnership is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Limited Partnership's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Limited Partnership's operations.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As the Limited Partnership does not currently have any variable interest bearing debt, the Limited Partnership is not exposed to interest rate risk.

The Limited Partnership had no interest rate swaps or financial contracts in place as at December 31, 2023.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2023

5. Financial risk management (continued)

Capital risk management

The Limited Partnership's capital management policy is to maintain a strong capital base that optimizes the Limited Partnership's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its partner. The Limited Partnership intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Limited Partnership's early stage of development and the requirement to sustain future development of the business.

6. Related party transactions

RESCO Mortgage Investment Corporation ("RESCO"), a mortgage investment corporation, the Manager and the Administrator are related to the Limited Partnership by virtue of being under common management.

The Limited Partnership entered in a Management Services Agreement and an Administration Agreement with the related companies effective January 2, 2020 and February 28, 2020 respectively. The agreements provide for aggregate fees of 0.50% of the total mortgages plus HST which amounts to \$29,997 for the year of which \$2,067 is outstanding at the year end and included in the accounts payable.

The Manager owns 30,000 Class A units and 10,000 Class B units at the end of the year. During the year, partner's distribution of \$25,125 was made to the Manager of which \$2,041 is outstanding at the year end and included in the distributions payable. In addition, partner's distribution of \$1,100 was made to the Administrator. These transactions were conducted by the Limited Partnership in the normal course of business.

7. Mortgages receivable

The following is the breakdown of the mortgages receivable as at December 31, 2023:

| | |
|-------------------------|---------------------|
| First-mortgages | \$ 4,390,000 |
| Interest receivable | 33,112 |
| Allowance for bad debts | - |
| | <u>\$ 4,423,112</u> |

Mortgages receivable consists of mortgages on residential properties in the province of Ontario.

The Limited Partnership recognizes expected credit losses (ECL) at an amount equal to 12 month ECL, if the credit risk on a mortgage at the reporting date has not increased significantly since initial recognition (Stage 1). Generally, mortgages overdue for 30 days are considered Stage 2 mortgages and those overdue by 90 days or more may be considered Stage 2 if the liquidation value of the collateralized assets is sufficient to prevent mortgage losses. All other performing assets are considered Stage 1.

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|---------------------|-------------|-------------|---------------------|
| Mortgages receivable, gross carrying value | \$ 4,423,112 | - | - | \$ 4,423,112 |
| Provision for mortgage losses | - | - | - | - |
| Mortgages receivable, net carrying value | <u>\$ 4,423,112</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,423,112</u> |

The loans in the investment portfolio bear interest at the weighted average rate of 9.07%. 100% of the portfolio's mortgages are secured by properties located in Ontario, Canada, when measured by loan amount. There are no further commitments to fund additional mortgages as at December 31, 2023.

All the outstanding mortgages as at December 31, 2023 mature in 2024.

During 2023, no transaction costs were incurred by the Limited Partnership in the mortgage transactions.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2023

8. Income taxes

These financial statements include only the assets and liabilities of the Limited Partnership and do not include assets and liabilities, including income taxes, of the limited partners.

9. Partners' equity

Authorized

Unlimited number of Class A and Class B Units at \$10 per unit. Limited Partners holding Class A Units are entitled to a distribution of 6% and Class B Units are entitled to a distribution of 6.5% of the subscription amount. Distributions of 5.5% and 6% were paid for the first two months in the fiscal year for Class A units and Class B units respectively. These units cannot be redeemed during the first 12 months following the subscription. No fee is applicable on Class A Units if redeemed after 12 months of the subscription. However, Class B units are subject to a redemption fee of 2% if these units are redeemed between 12 to 24 months and 1% if redeemed between 24 to 36 months.

General partner units issued at \$10 per unit.

Issued

| | 2023 | 2022 |
|-----------------------|----------------|----------------|
| Class A Units | 245,500 | 415,200 |
| Class B Units | 195,000 | 335,000 |
| General Partner Units | 1 | 1 |
| | <u>440,501</u> | <u>750,201</u> |

Limited Partners holding Class A and Class B Units are entitled to full distribution of their entitlement prior to any distribution to General Partner Units.

General Partner Units are entitled to distributions for any income in excess of that required to make the 6% distribution to Class A Units Limited Partners and 6.5% to Class B Units Limited Partners.

Neither Class A units nor Class B units have any preference or priority over the other with respect to the distribution of cash from the partnership.

10. Bank Indebtedness

The Limited Partnership has a revolving credit facility with Equitable Bank with an authorized limit of \$20,000,000. The facility is repayable on demand and bears interest at Equitable Bank's prime rate + 1.25%. The facility is secured by a general security agreement providing the lender first priority over the assets of the partnership.

As a condition of maintaining the revolving credit facility, the partnership has to meet certain covenants under its agreement with Equitable Bank. As at year-end, the partnership was in compliance with these covenants. The revolving demand facility was drawn upon and repaid at various times during the reporting period.

RESCO FIRST MORTGAGE FUND LP

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

RESCO FIRST MORTGAGE FUND LP

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For the year ended December 31, 2022

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Rosenswig McRae Thorpe LLP

Chartered Professional Accountants
Associated worldwide with CPA Associates International, Inc.

Michael Rosenswig
Jeff McRae
Tony Rosso
Lorraine Varga
Michelle Koscec
Dustin Jainaraine

INDEPENDENT AUDITORS' REPORT

To the partners of RESCO First Mortgage Fund LP,

Opinion

We have audited the statement of financial statements of RESCO First Mortgage Fund LP ("the Limited Partnership") which comprise the statement of financial position as at December 31, 2022, and the statements of comprehensive income and partners' equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RESCO First Mortgage Fund LP as at December 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Limited Partnership 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Limited Partnership'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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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36 Toronto Street, Suite 800, Toronto, Ontario, Canada M5C 2C5

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 Limited Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Limited Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Limited Partnership 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.

Toronto, Ontario
March 23, 2023

Rosensweig McRae Thorpe LLP
Chartered Professional Accountants
Licensed Public Accountants

RESCO FIRST MORTGAGE FUND LP

Statement of Financial Position

As at December 31, 2022

| | 2022 | 2021 |
|--|------------------|------------------|
| | \$ | \$ |
| ASSETS | | |
| Cash | 126,955 | 53,062 |
| Accounts receivable (Note 7) | 80,000 | 600,000 |
| Mortgages receivable (Note 8) | 7,483,744 | 5,207,996 |
| Prepaid expenses | 1,600 | 1,600 |
| | 7,692,299 | 5,862,658 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 24,790 | 52,751 |
| Distributions payable | 104,001 | 62,595 |
| | 128,791 | 115,346 |
| EQUITY | | |
| Partners' equity (Note 10) | 7,563,508 | 5,747,312 |
| | 7,692,299 | 5,862,658 |

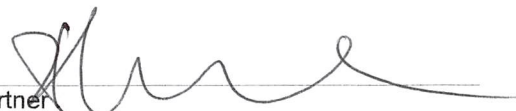
The accompanying notes are an integral part of these financial statements

Approved on behalf of the LP:

Partner



Partner



RESCO FIRST MORTGAGE FUND LP

Statement of Comprehensive Income

For the year ended December 31, 2022

| | 2022 | 2021 |
|--|----------------|----------------|
| | \$ | \$ |
| Revenues | | |
| Mortgage interest | 726,121 | 309,455 |
| Lender fee | 325,673 | 70,391 |
| Late payment fee | 38,004 | 23,601 |
| Renewal fee | 22,500 | 3,000 |
| | 1,112,298 | 406,447 |
| Expenses | | |
| Bank charges | 5,157 | 409 |
| Line of credit interest | 244,636 | - |
| Management fees (Note 6) | 62,761 | 31,916 |
| Professional fees | 42,178 | 29,569 |
| Portfolio administration commission | 1,400 | - |
| Regulator fees | 4,000 | 530 |
| Amortization of referral fees | 37,636 | 62,075 |
| | 397,768 | 124,499 |
| Net Comprehensive income for the year | 714,530 | 281,948 |

The accompanying notes are an integral part of these financial statements

RESCO FIRST MORTGAGE FUND LP

Statement of Partners' Equity

For the year ended December 31, 2022

| | 2022 | | 2021 | |
|---|----------------|------------------|----------------|------------------|
| | Units | Amount \$ | Units | Amount \$ |
| Class A Units | | | | |
| Balance, beginning of year | 401,200 | 4,012,000 | 428,254 | 4,282,537 |
| Add: Contributions | 226,000 | 1,760,000 | 183,500 | 1,835,000 |
| Less: Redemptions | (212,000) | (1,620,000) | (210,554) | (2,105,537) |
| Add: Share in net comprehensive income for the year | | 203,128 | - | 224,990 |
| Less: Distributions | | (203,128) | - | (224,990) |
| | 415,200 | 4,152,000 | 401,200 | 4,012,000 |
| Class B Units | | | | |
| Balance, beginning of year | 170,000 | 1,700,000 | - | - |
| Add: Contributions | 215,000 | 2,150,000 | 170,000 | 1,700,000 |
| Less: Redemptions | (50,000) | (500,000) | - | - |
| Add: Share in net comprehensive income for the year | - | 195,750 | - | 6,000 |
| Less: Distributions | - | (195,750) | - | (6,000) |
| | 335,000 | 3,350,000 | 170,000 | 1,700,000 |
| GP Units | | | | |
| Balance, beginning of year | 1 | 87,352 | 1 | 36,394 |
| Add: Contributions | - | - | - | - |
| Add: Share in net comprehensive income for the year | - | 315,652 | - | 50,958 |
| Less: Distributions | - | (267,342) | - | - |
| | 1 | 135,662 | 1 | 87,352 |
| Total balance for Unitholders | 750,201 | 7,637,662 | 571,201 | 5,799,352 |
| Less: Referral fees not yet amortized | - | (74,154) | - | (52,040) |
| Balance, end of year | 750,201 | 7,563,508 | 571,201 | 5,747,312 |

The accompanying notes are an integral part of these financial statements

RESCO FIRST MORTGAGE FUND LP

Statement of Cash Flows

For the year ended December 31, 2022

| | 2022 | 2021 |
|---|----------------|---------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Net comprehensive income for the year | 714,530 | 281,948 |
| Adjustment for: | | |
| Amortization of referral fees | 37,636 | 62,075 |
| | 752,166 | 344,023 |
| Adjustments to reconcile net income to cash provided by (used in) operating activities: | | |
| Decrease (increase) in mortgages receivable | 520,000 | (441,753) |
| (Decrease) increase in accounts payable and accrued liabilities | (27,961) | 36,107 |
| Increase in distributions payable | 41,406 | 23,347 |
| Cash provided by (used in) operating activities | 1,285,611 | (38,276) |
| Cash flows from investing activity | | |
| Net funding of mortgage investments | (2,275,748) | (1,098,090) |
| Cash used in investing activity | (2,275,748) | (1,098,090) |
| Cash flows from financing activities | | |
| Partners' contributions | 1,790,000 | 1,429,463 |
| Partners' distributions | (666,220) | (230,991) |
| Referral fees | (59,750) | (61,825) |
| Cash provided by financing activities | 1,064,030 | 1,136,647 |
| Net increase in cash | 73,893 | 281 |
| Cash , beginning of year | 53,062 | 52,781 |
| Cash , end of year | 126,955 | 53,062 |

The accompanying notes are an integral part of these financial statements

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2022

1. Limited partnership

Resco First Mortgage Fund LP (the "Limited Partnership") is a limited partnership established under the laws of the Province of Ontario on December 10, 2019 and governed by a second amended and restated limited partnership agreement ("Limited Partnership Agreement") dated June 1, 2021. The address of the Limited Partnership's registered office is 360 Highway 7 East, Unit 28, Richmond Hill Ontario. The Limited Partnership's general partner is Resco First Mortgage Fund GP Corp. (the "General Partner").

The Limited Partnership was formed for the purpose of investing in residential mortgages and is managed by Radiance Mortgage Brokerage Inc. (the "Manager"), a corporation formed under the laws of the Province of Ontario. The Manager provides portfolio management and mortgage brokerage services. The General Partner has also engaged 5C Capital Inc. ("the Administrator"), a corporation formed under the laws of the Province of Ontario, to provide mortgage administration services.

2. Summary of significant accounting policies and basis of presentation

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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the functional currency of the Limited Partnership.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at fair value. The methods used to measure fair values are discussed in note 4.

Use of estimates and judgments

The preparation of 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 results may vary from these estimates.

Fair value of mortgages receivable

The Limited Partnership is required to make estimates relating to the fair value of mortgages receivable. 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 present and future legislation or regulation, prior encumbrances and other factors affecting the investments and underlying security of the investments. These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. By their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could vary by a material amount.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2022

3. Basis of presentation (continued)

Expected credit losses on mortgage receivables

The Limited Partnership assesses the impairment and extent of losses on mortgages at each reporting date, and books a provision for mortgage losses accordingly. Judgement by management is required in assessing where there has been a significant increase in credit risk when a mortgage is impaired. Estimates are required to determine the amount and timing of future cash flows when determining losses. In estimating future cash flows, the Corporation makes judgements about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

3. Significant accounting policies

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized in accordance with IFRS 9.

Recognition and initial measurement

Financial instruments are recognized on the date of origination at the fair value of consideration exchanged. Except for financial instruments carried at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to its issuance.

Classification and subsequent measurement

Under IFRS 9, classification of financial assets is determined based on:

- (i) the business model under which the assets is held; and
- (ii) the contractual cash flow characteristics of the instrument

The Company's financial assets are predominantly comprised of mortgages receivable. Mortgages are managed in order to generate cash flows from collection of contractual cash flows. Contractual cash flows are consistent with basic lending arrangements and represent cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Accordingly, mortgages receivable are classified as amortized cost instruments using the effective interest rate method.

All other financial assets and liabilities are classified as amortized cost instruments.

Impairment of financial assets

The Company recognizes expected credit losses (ECL) at an amount equal to 12 month ECL, if the credit risk on a mortgage at the reporting date has not increased significantly since initial recognition (Stage 1). A lifetime ECL is recorded on performing mortgages which are considered to have experienced a significant increase in credit risk (Stage 2) and on credit impaired financial assets (Stage 3).

The main factors considered in determining a significant increase in credit risk include relative changes in probability of default since origination and certain other criteria such loan delinquency.

Evidence of a significant increase in credit risk include factors such as:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization; and/or
- measurable decrease in the estimated future cash flows from the loan or underlying assets that back the mortgage.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2022

3. Significant accounting policies (continued)

Generally, mortgages overdue for 30 days are considered Stage 2 mortgages and those overdue by 90 days are considered impaired (Stage 3). However, a mortgage overdue by 90 days or more may be considered Stage 2 if the liquidation value of the collateralized assets is sufficient to prevent mortgage losses. All other performing assets are considered Stage 1.

Credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events over the expected life of a financial instrument.

The probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD") inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Presentation of allowance for ECL

Mortgages receivable are presented on a net basis, where the loss allowances for ECL (the "provision for mortgage losses") are deducted from the gross carrying amount of the assets.

Write-offs

Mortgages are written off when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or a source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities.

Revenue recognition

Mortgage interest is recognized in the statement of comprehensive income using the effective interest method. Other income is recognized as earned.

Referral fees

Referral fees are paid in connection with raising of limited partnership capital. The fees are amortized over the period that early redemption fees are charged. The amount not yet amortized is recognized as a deduction from equity.

Provisions and contingent liabilities

Provisions and contingent liabilities are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Provisions and contingent liabilities are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2022

3. Significant accounting policies (continued)

Related party transactions

All related party transactions must be disclosed in the financial statements which include the amount of the transactions, the amount of outstanding balances, including terms, provisions for doubtful debts related to outstanding balances and the expense recognized during the period in respect to bad or doubtful debts from related parties.

4. Determination of fair values

The Limited Partnership's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements. The Limited Partnership classifies fair value measurements within a hierarchy which gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchies are:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Cash is classified as level 1. Mortgages receivable is classified as level 3.

For mortgages receivable, there are no quoted prices in an active market. Management makes its fair value determination by discounting future cash flows at the effective interest rate of the mortgages receivable. The discounted cash flow analysis assumed that all mortgages will be held until maturity. Given the short-term nature of the Limited Partnership's mortgages receivable, generally the fair value approximates their carrying values.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2022

5. Financial risk management

Overview

The Limited Partnership's planned operations will expose it to a variety of financial risks that arise as a result of its operating and financing activities:

- i. credit risk;
- ii. liquidity risk;
- iii. market risk; and
- iv. operational risk.
- v. interest rate risk, and
- vi. capital risk

This note presents information about the Limited Partnership's exposure, objectives, policies and processes for measuring and managing each of the above risks.

The Limited Partnership employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Limited Partnership's business objectives and risk tolerance levels. While the General Partner has the overall responsibility for the establishment and oversight of the Corporation's risk management framework, management has the responsibility to administer and monitor these risks.

Credit risk

Credit risk is the risk of financial loss to the Limited Partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Limited Partnership's mortgages receivable.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 126,955 |
| Accounts receivable | 80,000 |
| Mortgages receivable | 7,483,744 |
| | <u>\$ 7,690,699</u> |

Cash consists of bank deposits. The Limited Partnership manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Mortgages receivable are issued to borrowers who must pass a credit check. Given these credit ratings, management expect minimal counterparty risk.

Liquidity risk

Liquidity risk is the risk that the Limited Partnership will not be able to meet its financial obligations as they are due. The Limited Partnership's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Limited Partnership's ongoing liquidity will be impacted by various external events and conditions.

The Limited Partnership expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through future operational cash flows.

As at December 31, 2022, the management considers that the Limited Partnership does not have significant exposure to liquidity risk.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2022

5. Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Limited Partnership's net income or the value of financial instruments. The objective of the Limited Partnership is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Limited Partnership's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Limited Partnership's operations.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Limited Partnership is exposed to interest rate risk on its credit facility which has a variable interest rate.

The Limited Partnership had no interest rate swaps or financial contracts in place as at December 31, 2022.

Capital risk management

The Limited Partnership's capital management policy is to maintain a strong capital base that optimizes the Limited Partnership's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its partner. The Limited Partnership intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Limited Partnership's early stage of development and the requirement to sustain future development of the business.

6. Related party transactions

RESCO Mortgage Investment Corporation ("RESCO"), a mortgage investment corporation, the Manager, the Administrator and the general partner are related to the Limited Partnership by virtue of being under common management.

The Limited Partnership entered in a Management Services Agreement and an Administration Agreement with the related companies effective January 2, 2020 and February 28, 2020 respectively. These agreements provide for aggregate fees of 0.50% of the total mortgages plus HST which amounts to \$62,761 for the year of which \$3,490 is outstanding at the year end and included in the accounts payable.

The manager owns 60,000 Class A units at the end of the year. During the year, partner's distribution of \$40,156 was made to the Manager of which \$8,312 is outstanding at the year end and included in the distributions payable. These transactions were conducted by the Limited Partnership in the normal course of business.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2022

7. Accounts receivable

Accounts receivable consists of funds receivable from the administrator for Class A Unit subscriptions which closed on December 31, 2022. These funds were received by the Limited Partnership in January 2023.

8. Mortgages receivable

The following is the breakdown of the mortgages receivable as at December 31, 2022:

| | |
|-------------------------|---------------------|
| First mortgages | \$ 7,415,100 |
| Interest receivable | 68,644 |
| Allowance for bad debts | - |
| | <u>\$ 7,483,744</u> |

Mortgages receivable consists of mortgages on residential properties in the province of Ontario.

The Limited Partnership recognizes expected credit losses (ECL) at an amount equal to 12 month ECL, if the credit risk on a mortgage at the reporting date has not increased significantly since initial recognition (Stage 1). Generally, mortgages overdue for 30 days are considered Stage 2 mortgages and those overdue by 90 days or more may be considered Stage 2 if the liquidation value of the collateralized assets is sufficient to prevent mortgage losses. All other performing assets are considered Stage 1.

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|---------------------|-------------|-------------|---------------------|
| Mortgages receivable, gross carrying value | \$ 7,483,744 | - | - | \$ 7,483,744 |
| Provision for mortgage losses | - | - | - | - |
| Mortgages receivable, net carrying value | <u>\$ 7,483,744</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,483,744</u> |

The loans in the investment portfolio bear interest at the weighted average rate of 6.98%. The partnership also earns a lender fee with rate ranging from 1 to 3% of the principal mortgage balance. 100% of the portfolio's mortgages are residential and secured by properties located in Ontario, Canada, when measured by loan amount. There are no further commitments to fund additional mortgages as at December 31, 2022.

All the outstanding mortgages as at December 31, 2022 mature in 2023.

During 2022, no transaction costs were incurred by the Limited Partnership in the mortgage transactions.

9. Income taxes

These financial statements include only the assets and liabilities of the Limited Partnership and do not include assets and liabilities, including income taxes, of the limited partners.

RESCO FIRST MORTGAGE FUND LP

Notes to Financial Statements

For the year ended December 31, 2022

10. Partners' equity

Authorized

Unlimited number of Class A and Class B Units at \$10 per unit. Limited Partners holding Class A Units are entitled to a distribution of 5.25% per year and Class B Units are entitled to a distribution of 6% per year of the subscription amount. These units cannot be redeemed during the first 12 months following the subscription. No fee is applicable on Class A Units if redeemed after 12 months of the subscription. However, Class B units are subject to a redemption fee of 2% if units are redeemed between 12 to 24 months and 1% if redemption is between 24 to 36 months.

General Partner units issued at \$10 per unit.

Issued

| | 2022 | 2021 |
|-----------------------|----------------|----------------|
| Class A Units | 415,200 | 401,200 |
| Class B Units | 335,000 | 170,000 |
| General Partner Units | 1 | 1 |
| | <u>750,201</u> | <u>571,201</u> |

Limited Partners holding Class A and Class B Units are entitled to full distribution of their entitlement prior to any distribution to the General Partner Units.

General Partner Units are entitled to distributions for any income in excess of that required to make the 5.25% distribution to Class A Units Limited Partners and 6% to Class B Units Limited Partners.

Neither Class A units nor Class B units have any preference or priority over the other with respect to the distribution of cash from the partnership.

11. Bank Indebtedness

The Limited Partnership has a revolving credit facility with Equitable Bank with an authorized limit of \$20,000,000. The facility is repayable on demand and bears interest at Equitable Bank's prime rate + 1.5%. The facility is secured by a general security agreement providing the lender first priority over the assets of the partnership.

As a condition of maintaining the revolving credit facility, the partnership has to meet certain covenants under its agreement with Equitable Bank. As at year-end, the partnership was in compliance with these covenants.

The revolving demand facility was drawn upon and repaid at various times during the reporting period.

ITEM 14 DATE AND CERTIFICATE OF THE ISSUER AND PROMOTER

Dated: April 24, 2024

This Offering Memorandum does not contain a misrepresentation.

RESCO FIRST MORTGAGE FUND LP

By its General Partner, RESCO FIRST MORTGAGE FUND GP CORP.

(signed) "David Ho"

David Ho
Director and President

(signed) "Chris Cheng"

Chris Cheng
Director and Chief Operating Officer

RADIANCE MORTGAGE BROKERAGE INC.

As Promoter and Asset Manager

(signed) "Chris Cheng"

Chris Cheng
Director and Chief Operating Officer

(signed) "Phoebe Lam"

Phoebe Lam
Director and Principal Broker

On behalf of the Board of Directors

(signed) "David Ho"

David Ho
Director and President

(signed) "Will Sung"

Will Sung
Director

Statements made in this Offering Memorandum are those of the Partnership. No person is authorized to give any information or to make any representation in connection with this offering other than as referred to in this Offering Memorandum, and any information or representation not referred to in this Offering Memorandum must not be relied upon as having been authorized by the Partnership.

APPENDIX I

SUBSCRIPTION AGREEMENT

Please see attached.



RESCO FIRST MORTGAGE FUND LP

SUBSCRIPTION INSTRUCTIONS

IMPORTANT: The following items in the attached Subscription Agreement (defined below) must be completed (please check each applicable box to confirm completion):

- Complete and execute all applicable lines on pages 2 to 5 of the Subscription Agreement.
- Schedule "A":** If the Subscriber is purchasing in reliance upon the Offering Memorandum Exemption, complete and initial Schedule "A" – *Risk Acknowledgement Form*.
- Schedule "B-1":** If the Subscriber is purchasing in reliance upon the Offering Memorandum Exemption and is an individual, complete and initial Schedule "B-1" – *Classification of Investors Under the Offering Memorandum Exemption*.
- Schedule "B-2":** If the Subscriber is purchasing in reliance upon the Offering Memorandum Exemption and is an individual, complete and initial Schedule "B-2" – *Investment Limits for Investors Under the Offering Memorandum Exemption*.
- Schedule "C":** If the Subscriber is purchasing in reliance upon the Accredited Investor Exemption or is purchasing under the Offering Memorandum Exemption as an "accredited investor", complete and initial Schedule "C" – *Accredited Investor Status Certificate*, indicating which category is applicable.
- Schedule "D":** If the Subscriber is an "accredited investor" who is an individual qualifying under certain applicable categories as set out in Schedule "C" – *Accredited Investor Status Certificate*, complete and initial Schedule "D" – *Risk Acknowledgement Form for Individual Accredited Investors*.
- Schedule "E":** If the Subscriber is purchasing in reliance upon the "family, friend or business associate" exemption, complete and initial Schedule "E" - *Representation letter and Form 45-106F12 Form for Family, Friends and Business Associate Investors*.

FOR INFORMATION ONLY:

Schedule "F" – Privacy Notice

Schedule "G" – Contact Information – Securities Regulatory Authorities / Regulators

| Contact Information | Delivery and Payment Instructions | Wire Information |
|--|---|---|
| RESCO First Mortgage Fund LP Unit 360 Highway 7 East, Unit 28 Richmond Hill, ON L4B 3Y7 Attention: Chief Operations Officer of the General Partner | Please deliver a completed Subscription Agreement and all applicable Schedules directly to our offices. Subscription proceeds may be paid by cheque or bank draft made payable to "RESCO First Mortgage Fund LP" or by wire transfer as indicated. | Please contact RESCO First Mortgage Fund LP for details |

**SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY
(RESTRICTED TO INVESTORS RESIDENT IN A PROVINCE OF CANADA)**

TO: RESCO FIRST MORTGAGE FUND LP (the “Partnership”)

The undersigned (the “**Subscriber**”), hereby irrevocably subscribes for the number of Class “A” units (“**Units**”) of RESCO First Mortgage Fund LP (the “**Partnership**”) for the aggregate subscription price set out below in **Section 1**. Upon acceptance of this Subscription Agreement (defined below) by the Partnership and the Subscriber, the Subscriber agrees to become a party to the Partnership Agreement (defined below) and be bound and governed by all the terms, conditions, and provisions therein. RESCO First Mortgage Fund GP Corp. is the general partner of the Partnership (the “**General Partner**”).

By completing and executing this subscription agreement, which includes the subscription form and power of attorney, the terms and conditions of subscription, and schedules hereto (together, the “**Subscription Agreement**”) the Subscriber acknowledges that the Partnership is relying on the representations and warranties set out below. Specifically, the Subscriber has determined, based on his, her, or its own investment knowledge and experience in financial and business affairs and/or after having consulted with professional advisors, that this investment is appropriate for the Subscriber.

| SECTION 1 - PURCHASE AMOUNT | | | |
|--|-------------------------------|--|--------------------------|
| Number of Units | Subscription Price per Unit | Aggregate Subscription Price | |
| Class “A” Units: _____ | \$10.00 per Class “A” Unit | Aggregate Subscription Price (\$): _____ | |
| Class “B” Units: _____ | \$10.00 per Class “B” Unit | Aggregate Subscription Price (\$): _____ | |
| Payment for the Units will be made via: <input type="checkbox"/> Cheque <input type="checkbox"/> Bank Draft <input type="checkbox"/> Wire Transfer <input type="checkbox"/> Other: _____ | | | |
| SECTION 2 - SUBSCRIBER INFORMATION | | | |
| A. FOR INDIVIDUALS / JOINT ACCOUNTS | | | |
| TITLE: <input type="checkbox"/> MR. <input type="checkbox"/> MRS. <input type="checkbox"/> MISS <input type="checkbox"/> MS. <input type="checkbox"/> DR. <input type="checkbox"/> OTHER: | | | |
| LAST NAME: | FIRST AND MIDDLE NAMES: | BIRTH DATE (YYYY/MM/DD): | SOCIAL INSURANCE NUMBER: |
| STREET ADDRESS, CITY, PROVINCE, AND POSTAL CODE: | | E-MAIL ADDRESS: | |
| TELEPHONE NUMBER (HOME): | TELEPHONE NUMBER (ALTERNATE): | PRIMARY BUSINESS/OCCUPATION (IF UNEMPLOYED/RETD., PLEASE PROVIDE FORMER OCCUPATION): | |
| ARE YOU A REGISTRANT UNDER SECURITIES LEGISLATION? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |
| ARE YOU AN INSIDER OF THE PARTNERSHIP? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |
| IF SUBSCRIBING AS A JOINT ACCOUNT - COMPLETE FOR JOINT SUBSCRIBER | | | |
| TITLE: <input type="checkbox"/> MR. <input type="checkbox"/> MRS. <input type="checkbox"/> MISS <input type="checkbox"/> MS. <input type="checkbox"/> DR. <input type="checkbox"/> OTHER: | | | |
| LAST NAME: | FIRST AND MIDDLE NAMES: | BIRTH DATE (YYYY/MM/DD): | SOCIAL INSURANCE NUMBER: |
| STREET ADDRESS, CITY, PROVINCE, AND POSTAL CODE: | | E-MAIL ADDRESS: | |
| TELEPHONE NUMBER (HOME): | TELEPHONE NUMBER (ALTERNATE): | PRIMARY BUSINESS/OCCUPATION (IF UNEMPLOYED/RETD., PLEASE PROVIDE FORMER OCCUPATION): | |
| ARE YOU A REGISTRANT UNDER SECURITIES LEGISLATION? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |
| ARE YOU AN INSIDER OF THE PARTNERSHIP? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |
| JOINT ACCOUNT AGREEMENT (ONLY IF SUBSCRIBING AS A JOINT ACCOUNT): | | | |
| It is the express intention of the undersigned that ownership of this account be vested as joint tenants with rights of survivorship and not as tenants in common . In the event of the death of either or any of the undersigned, the entire interest in the joint account shall be vested in the survivor or survivors on the same terms and conditions as therefore held, without in any manner releasing the undersigned or their estates from the liability provided for in the terms and conditions herein. | | | |

| B. CORPORATIONS / TRUSTS / OTHER NON-INDIVIDUAL ENTITIES | | |
|--|---|---|
| ENTITY TYPE: <input type="checkbox"/> CORPORATION <input type="checkbox"/> TRUST <input type="checkbox"/> OTHER: _____ | | JURISDICTION OF ENTITY: |
| ENTITY NAME: | BUSINESS TYPE: | BUSINESS OR TAX IDENTIFICATION NUMBER: |
| STREET ADDRESS, CITY, PROVINCE, AND POSTAL CODE: | | |
| TELEPHONE NUMBER : | FAX NUMBER: | |
| IS THE ENTITY A REGISTRANT UNDER SECURITIES LEGISLATION? <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| IS THE ENTITY AN INSIDER OF THE PARTNERSHIP? <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| SECTION 3 – REGISTRATION INSTRUCTIONS (IF DIFFERENT FROM NAME OF SUBSCRIBER AND ADDRESS SET OUT IN SECTION 2) <input type="checkbox"/> SAME AS SECTION 2 | | |
| NAME: | ACCOUNT REFERENCE, IF APPLICABLE: | |
| STREET ADDRESS, CITY, PROVINCE, AND POSTAL CODE: | | |
| SECTION 4 – DELIVERY INSTRUCTIONS (IF DIFFERENT FROM NAME OF SUBSCRIBER AND ADDRESS SET OUT IN SECTION 2) <input type="checkbox"/> SAME AS SECTION 2 | | |
| NAME: | ACCOUNT REFERENCE, IF APPLICABLE: | |
| STREET ADDRESS, CITY, PROVINCE, AND POSTAL CODE: | | |
| SECTION 5 – SUBSCRIBER REPRESENTATION | | |
| <p>By selecting a category below, the Subscriber acknowledges that this section forms part of the “Terms and Conditions of Subscription” of this Subscription Agreement. The Subscriber represents and warrants as follows to the Partnership and acknowledges and confirms that the Partnership is relying on such representations and warranties in connection with the offer, sale, and issuance of the Units to the Subscriber:</p> | | |
| <input type="checkbox"/> | Offering Memorandum Exemption | the Subscriber is purchasing as principal and is resident in or otherwise subject to the laws of one of the provinces and/or territories of Canada in which the Units are lawfully being offered and acknowledges receipt of the Offering Memorandum (such investors must complete Schedule “A” and, as applicable, Schedule “B-1” , Schedule “B-2” , Schedule “C” and Schedule “D”). |
| <input type="checkbox"/> | Accredited Investor Exemption | the Subscriber is resident in or otherwise subject to the laws of one of the provinces and/or territories of Canada in which the Units are lawfully being offered and is purchasing the Units as an “accredited investor” as defined in the <i>Securities Act</i> (Ontario) or National Instrument 45-106 – <i>Prospectus Exemptions</i> , as applicable (such investors must complete Schedule “C” and, if applicable, Schedule “D”) |
| <input type="checkbox"/> | Friends, Family and Business Associates Exemption | the Subscriber is resident in or otherwise subject to the laws of one of the provinces and/or territories of Canada in which the Units are lawfully being offered and is purchasing the Units as “family, friends and business associates” as defined in the <i>Securities Act</i> (Ontario) or National Instrument 45-106 – <i>Prospectus Exemptions</i> , as applicable (such investors must complete Schedule “E”) |
| <input type="checkbox"/> | Minimum Amount Investment Exemption | the Subscriber is resident in or otherwise subject to the laws of the provinces and/or territories of Canada in which the Units are lawfully being offered and: <ul style="list-style-type: none"> a) is purchasing as principal; b) is not an individual; c) the Units have an acquisition cost to the Subscriber of not less than \$150,000, payable in cash on closing; and the Subscriber was not formed or used solely to purchase or hold Units in reliance on this exemption. |
| <input type="checkbox"/> | Other | Please contact the General Partner who may request additional documentation |

SECTION 6 – STANDING INSTRUCTIONS OF SUBSCRIBER REGARDING DISTRIBUTIONS

The Subscriber authorizes and directs the Partnership to pay out and deposit distributions, if any, into the Subscriber’s bank account (include void cheque).

SECTION 7 – STANDING INSTRUCTIONS OF SUBSCRIBER REGARDING FINANCIAL STATEMENTS

The Subscriber may choose to receive annual financial statements regarding the Partnership.

Please indicate whether or not you would like to receive the annual financial statements regarding the Partnership by selecting a box below:

- Subscriber would like to receive the annual financial statements.
- Subscriber would NOT like to receive the annual financial statements.

If the Subscriber does not check one of the boxes above, then the Subscriber will be deemed to have chosen NOT to receive such statements.

If the Subscriber would like to receive the annual financial statements, please select a delivery option below:

- Mail
- Electronically via e-mail

SECTION 8 – CONSENT TO ELECTRONIC DELIVERY OF DOCUMENTS

The Subscriber consents, by providing the e-mail address below, to the electronic delivery of the documents listed below that the Partnership elects to deliver to the Subscriber electronically.

If applicable, the following documents will be delivered electronically pursuant to this consent:

1. Annual financial statements for the Partnership (if the Subscriber has elected to receive such statements); and
2. Such other documents, reports, investment commentary, or other communication that relates to the operation of the Subscriber’s account.

All documents delivered electronically will be delivered by e-mail to the address listed below.

The Subscriber acknowledges that the Subscriber may receive from the Partnership a paper copy of any documents delivered electronically at no cost if electronic delivery fails or if the Subscriber contacts the Partnership by regular mail or telephone at 1-844-667-3726.

The Subscriber understands that the Subscriber’s consent may be revoked or changed, including changing the e-mail address to which documents are delivered (if the Subscriber has provided an e-mail address), at any time by notifying the Partnership of such revised or revoked consent by telephone, regular mail, or electronic mail.

The Subscriber understands that the Subscriber is not required to consent to electronic delivery.

It is the Subscriber’s express wish that the documents to be delivered under this consent be drawn up in English. *Il est de mon souhait exprès que les documents à remettre selon ce Formulaire de Consentement soient rédigés en anglais.*

E-mail address of the Subscriber at which to receive delivery of the documents listed in this **Section 8**:

SECTION 9 - SUBSCRIBER SIGNATURE

By executing this Subscription Agreement, the Subscriber expressly acknowledges that the Subscriber: (i) has been given the opportunity to obtain independent legal advice and has either done so or chosen not to obtain such advice; (ii) has sufficient investment knowledge and experience in financial and business affairs to understand and appreciate the sophisticated nature of this investment in the Partnership; (iii) has had the opportunity to ask and have answered any and all questions the Subscriber may have in relation to this investment; (iv) confirms that such investment is consistent with the Subscriber’s current investment needs and objectives; and (v) is able to bear the economic risk of loss of this investment.

| FOR INDIVIDUALS/JOINT ACCOUNTS | |
|--|---|
| <input checked="" type="checkbox"/> _____ SUBSCRIBER SIGNATURE | JOINT ACCOUNT HOLDER SIGNATURE, IF APPLICABLE <input checked="" type="checkbox"/> _____ SUBSCRIBER SIGNATURE |
| NAME OF SUBSCRIBER | NAME OF SUBSCRIBER |
| DATE: _____, 20____ | DATE: _____, 20____ |
| FOR CORPORATIONS/TRUSTS/OTHER NON-INDIVIDUAL ENTITIES | |
| PERSON(S) AUTHORIZED TO PROVIDE INSTRUCTIONS AND SIGNATURE: | (SECOND PERSON IF NECESSARY) |
| _____ NAME (LAST, FIRST) | _____ NAME (LAST, FIRST) |
| _____ TITLE | _____ TITLE |
| _____ PHONE NUMBER | _____ PHONE NUMBER |
| _____ E-MAIL | _____ E-MAIL |
| <input checked="" type="checkbox"/> _____ SIGNATURE | <input checked="" type="checkbox"/> _____ SIGNATURE |

| SECTION 10 - ACCEPTANCE BY THE PARTNERSHIP |
|---|
| This Subscription Agreement is accepted on the _____ day of _____, _____ in _____, Ontario. (month) (year) |
| RESCO FIRST MORTGAGE FUND LP , by its General Partner, RESCO First Mortgage Fund GP Corp. |
| By: _____ Name: Title: <i>I have authority to bind the corporation.</i> |

THE SUBSCRIBER MUST PROVIDE ALL INFORMATION REQUESTED ON PAGES 1-4 AND IN THE RELEVANT SCHEDULES TO THIS AGREEMENT, AND EXECUTE THIS AGREEMENT (BY SIGNING PAGE 4 OF THIS SUBSCRIPTION AGREEMENT) AND ALL RELEVANT SCHEDULES. THE SUBSCRIBER MUST ALSO PROVIDE AN AMOUNT (IN CANADIAN FUNDS) EQUAL TO THE AGGREGATE SUBSCRIPTION PRICE TO THE PARTNERSHIP IN SUCH FORM AS IS ACCEPTABLE TO THE GENERAL PARTNER. THE UNITS ARE SUBJECT TO RESTRICTIONS ON SALE AND WILL BE SUBJECT TO RESTRICTIONS ON RESALE AND MAY NOT BE RESOLD EXCEPT IN RELIANCE ON CERTAIN EXEMPTIONS FROM THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LEGISLATION. THE SUBSCRIBER IS ADVISED TO CONSULT HIS/HER/ITS OWN LEGAL ADVISORS IN ALL MATTERS RELATING TO THE UNITS.

**TERMS AND CONDITIONS OF SUBSCRIPTION
AND POWER OF ATTORNEY**

1. DEFINITIONS AND INTERPRETATION

1.1 In these terms and conditions, forming part of the Subscription Agreement and Power of Attorney:

- (a) **“affiliate”** has the meaning ascribed to it in the *Securities Act* (Ontario);
- (b) **“Agreement”** or **“Subscription Agreement”** means this Subscription Agreement and Power of Attorney between the Partnership and the Subscriber, and includes all Execution Pages and Schedules attached hereto, in each case as they may be amended or supplemented from time to time;
- (c) **“business day”** means a day which is not a Saturday, Sunday, or legal holiday in Toronto, Ontario;
- (d) **“Closing”** means the completion in one or more closing(s) of the purchase and sale of the Units, including the Units subscribed for under this Agreement;
- (e) **“Closing Date”** or **“Closing Dates”** means the date or dates on which a Closing occurs, as set out in the Offering Memorandum;
- (f) **“Commissions”** means the applicable securities commissions or other securities regulatory authorities in each of the Offering Provinces;
- (g) **“distribution”** has the meaning ascribed to it in the *Securities Act* (Ontario);
- (h) **“Execution Page”** means the pages for execution by the Subscriber that accompany this Agreement, including page 3 and each Schedule to be executed;
- (i) **“General Partner”** means RESCO First Mortgage Fund GP Corp., a corporation incorporated under the laws of the Province of British Columbia;
- (j) **“Limited Partner”** means a beneficial owner of one or more Units of the Partnership;
- (k) **“National Instrument 45-106”** means National Instrument 45-106 *Prospectus Exemptions* of the Canadian Securities Administrators;
- (l) **“Offering Memorandum”** means the offering memorandum relating to the offering of Units of the Partnership, as it may be amended from time to time;
- (m) **“Offering Provinces”** means each of the provinces of Canada in which Subscribers are resident;
- (n) **“OSC”** means the Ontario Securities Commission;
- (o) **“Partner”** means a Limited Partner or the General Partner, as the case may be;
- (p) **“Partnership”** means RESCO First Mortgage Fund LP, a limited partnership formed under the laws of the Province of Ontario;
- (q) **“Partnership Agreement”** means the limited partnership agreement governing the Partnership made among the General Partner, the initial Limited Partner named therein, and those persons who

from time to time are entered into the record of Limited Partners, as from time to time amended, restated and/or supplemented;

- (r) **“person”** means an individual, firm, corporation, syndicate, partnership, trust, association, unincorporated organization, joint venture, investment club, government or agency or political subdivision thereof, and every other form of legal or business entity of whatsoever nature or kind;
- (s) **“Personal Information”** means any information about a person and includes information contained in this Agreement and the Schedules incorporated by reference herein;
- (t) **“Securities Laws”** means, as applicable, the securities laws of each of the Offering Provinces and the respective regulations and rules made and forms prescribed thereunder, together with all applicable and legally enforceable published policy statements, multilateral or national instruments, blanket orders, rulings, and notices of the Commissions;
- (u) **“Subscriber’s Units”** means those Units which the Subscriber has agreed to purchase under this Agreement;
- (v) **“Subscribers”** means all subscribers for the Units, including the Subscriber;
- (w) **“Subscription Amount”** means, for each Subscriber, the amount of the aggregate Subscription Price for the Subscriber’s Units;
- (x) **“Subscription Price”** means the price payable by the Subscriber to purchase the Units under the Private Placement, being \$10.00 per Unit;
- (y) **“Tax Act”** means the *Income Tax Act* (Canada), as from time to time amended;
- (z) **“United States”** means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;
- (aa) **“Unit”** means a limited partnership unit, representing an equal and undivided interest in the Partnership (subject to the interest of the General Partner) entitling the applicable Limited Partner to the rights, restrictions, privileges, and obligations under the Partnership Agreement;
- (bb) **“U.S. Person”** means a U.S. person as defined in Rule 902(k) of Regulation S under the U.S. Securities Act; and
- (cc) **“U.S. Securities Act”** means the *Securities Act* of 1933, as amended, of the United States.

1.2 In this Agreement a reference to:

- (a) **“\$”** or currency means Canadian currency;
- (b) a statute or code or a specific provision thereof includes every regulation made pursuant thereto, all amendments to the statute, code, or any such regulation in force from time to time, and any statute, code, or regulation that supplements or supersedes such statute, code, or any such regulation; and
- (c) an entity includes any entity that is a successor of such entity.

2. **SUBSCRIPTION FOR UNITS**

2.1 On the terms and subject to the conditions as hereinafter provided, the Subscriber hereby irrevocably subscribes for and agrees to purchase, and the Partnership agrees to issue and sell, such number of Units set

forth on **page 1** of this Agreement, at and for the Subscription Price for the aggregate Subscription Price set forth on **page 1** of this Agreement, being the Subscription Amount. The Subscriber understands that the Units subscribed for hereunder constitute a portion of the aggregate number of Units that are being offered for sale by the Partnership pursuant to the Private Placement. The Subscriber agrees that this subscription is made for valuable consideration and may not be withdrawn, cancelled, terminated, or revoked by the Subscriber without the consent of the General Partner on behalf of the Partnership.

- 2.2 The Subscriber tenders herewith full payment to the Partnership of the Subscription Amount. This subscription will not be accepted and no Units will be issued to the Subscriber unless the General Partner on behalf of the Partnership has received the Subscription Amount within such time as stipulated herein, including all applicable Schedules, duly completed. Subscription funds received prior to a closing date will be kept in trust, in a non-interest bearing account, for the Subscriber pending the acceptance of the subscription.
- 2.3 The General Partner may at its sole discretion accept or reject this subscription (in whole or in part) on behalf of the Partnership and reserves the right to close the subscription books at any time without notice. If this subscription is rejected, the Subscriber understands that if any funds have been delivered by the Subscriber to the Partnership or the General Partner, they will be promptly returned to the Subscriber without deduction or interest. The Subscriber hereby waives any requirement for the Partnership or the General Partner to communicate the Partnership's acceptance of this subscription to the Subscriber. The Partnership will be deemed to have accepted this offer upon issuance on the Closing Date to the Subscriber of the Subscriber's Units to be issued on Closing and the entry of such issuance into the records of the Partnership. The Subscriber acknowledges that it will become a party to the Partnership Agreement and subject to the provisions thereof upon acceptance of this subscription.

3. REPRESENTATIONS, WARRANTIES, COVENANTS, AND ACKNOWLEDGEMENTS OF THE SUBSCRIBER

- 3.1 The Subscriber acknowledges, represents, warrants, and covenants to and with the Partnership and the General Partner that as of the date hereof and the Closing Date:
- (a) **Residence**: the Subscriber is resident, or if not an individual has a head office, in the jurisdiction set forth under the applicable address section on **page 1** or **page 2** of this Agreement, which address is the residence or place of business of the Subscriber, as the case may be, and that such address was not created and is not used solely for the purpose of acquiring the Subscriber's Units;
 - (b) **Purchasing As Principal**: the Subscriber is purchasing the Subscriber's Units as principal for its own account, and not for the benefit of any other person, or is deemed under the Securities Laws to be purchasing the Subscriber's Units as principal, and in either case is purchasing the Subscriber's Units for investment only and not with a view to the resale or distribution of all or any of the Subscriber's Units;
 - (c) **No Prospectus**: the Subscriber is aware that the Units are being sold in reliance on exemptions from the prospectus requirements of the Securities Laws, that no prospectus has been or will be prepared or filed by the Partnership with any Commission or similar authority in connection with the Private Placement, and that:
 - (i) the Subscriber is restricted from using certain of the civil remedies available under the Securities Laws;
 - (ii) no Commission or similar regulatory authority has reviewed or passed on the merits of the Units;
 - (iii) the Subscriber may not receive information that would otherwise be required to be given under the Securities Laws; and

- (iv) the Partnership is relieved from certain obligations that would otherwise apply under the Securities Laws;
- (d) **Receipt of Offering Memorandum.** the Subscriber has received, reviewed and fully understands the disclosure in the Offering Memorandum, a copy of which has been provided to the Subscriber, and the Subscriber has had the opportunity to ask and have answered any and all questions with respect to the business and affairs of the Partnership, including the investment objective, strategies, and restrictions of the Partnership, the investment considerations and risks of investing in the Partnership, the Units, and the subscription hereby made;
- (e) **Status of Subscriber:** the Subscriber has properly completed, executed, and delivered the Schedules to this Agreement as required, attesting to the status of the Subscriber as an “accredited investor” or “eligible investor” where applicable, and the information contained in such Schedules is true and correct and the representations, warranties, and covenants contained therein will be true and correct both as of the date of execution of this Agreement and as at the Closing Date;
- (f) **No Syndication:** the Subscriber was not created solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of “accredited investor” provided in the Accredited Investor Certificate;
- (g) **Resale and Transfer Restrictions:** the Subscriber understands and acknowledges that the Units will be subject to certain resale restrictions under applicable Securities Laws and transfer restrictions under the Partnership Agreement, and the Subscriber agrees to comply with such resale restrictions and transfer restrictions. **The Subscriber further understands and acknowledges that the Partnership is not a reporting issuer in any province in Canada and has no present intention of becoming a reporting issuer in any province of Canada and, therefore, the Units will be subject to a statutory hold period which will be of an indefinite period (i.e., will not commence to be reduced) unless and until such time as the Partnership becomes a reporting issuer in a Canadian jurisdiction, and during such statutory hold period, none of the Units may be resold except pursuant to limited exemptions under applicable Securities Laws.** The Subscriber acknowledges that if certificates representing the Units are issued, they may bear a legend in accordance with the foregoing. The Subscriber acknowledges that it has been advised to consult its own legal advisors with respect to applicable resale and transfer restrictions and that it is solely responsible for complying with such restrictions (and neither the Partnership nor the General Partner are in any manner responsible for ensuring compliance by the Subscriber with such restrictions);
- (h) **Investment Suitability:** the Subscriber has such knowledge and experience in financial and business affairs as to be capable of evaluating the investment risks of the purchase of Units hereunder and acknowledges that the Units are a speculative investment and involve a substantial degree of risk and the Subscriber is able to bear the economic risk of loss of the investment;
- (i) **Compliance with Securities Legislation:** the Subscriber will comply with the applicable provisions of the Securities Laws and any other relevant securities legislation concerning the purchase and holding of the Units and any resale of the Units and the delivery of this Agreement, the acceptance of it by the Partnership, and the sale of the Units to the Subscriber complies with all applicable laws of the Subscriber’s jurisdiction of residence or domicile and all other applicable laws;
- (j) **No Representation:** no person has made to the Subscriber any written or oral representations:
 - (i) that any person will resell or repurchase the Units;
 - (ii) that any person will refund the purchase price of the Units;
 - (iii) as to the future price or value of the Units; or

- (iv) that the Units will be listed and posted for trading on a stock exchange or that application has been made to list and post the Units for trading on a stock exchange;
- (k) **No Finding by Regulatory Body**: the Subscriber acknowledges that no agency, governmental authority, regulatory body, stock exchange, or other entity has reviewed the Offering Memorandum nor made any finding or determination as to the merit of investment in, nor have any such agencies or governmental authorities made any recommendation or endorsement with respect to, the Units;
- (l) **Outside of the U.S.**: the offer to purchase the Subscriber's Units was not made to the Subscriber when the Subscriber was in the United States and, at the time the Subscriber's subscription for Units was delivered to the Partnership, the Subscriber was outside the United States and:
 - (i) the Subscriber is not and will not be purchasing the Subscriber's Units for the account or benefit of any person in the United States or any "U.S. person" as defined in Rule 902(k) of Regulation S under the U.S. Securities Act;
 - (ii) the current structure of this transaction and all transactions and activities contemplated hereunder is not a scheme to avoid the registration requirements of the U.S. Securities Act; and
 - (iii) the Subscriber has no intention to distribute either directly or indirectly any of the Units in the United States, except in compliance with the U.S. Securities Act;
- (m) **Not a Non-Resident**: the Subscriber is not a "non-resident" of Canada for the purposes of the Tax Act;
- (n) **Tax Shelter Investment**: the Subscriber is not a "tax shelter investment" for the purposes of the Tax Act;
- (o) **No Purchase or Offer in the United States**: the Subscriber (i) acknowledges that the Units have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States or to any U.S. Person unless registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, (ii) is not, and is not purchasing the Subscriber's Units for the account or benefit of, a U.S. Person under the U.S. Securities Act or for resale in the United States or to a U.S. Person in violation of United States federal or state securities laws, was not offered the Subscriber's Units in the United States and did not execute or deliver this Agreement or related documents in the United States, and (iii) agrees not to offer or sell the Units in the United States or to a U.S. Person;
- (p) **Limited Partner**: the Subscriber acknowledges that it has read the Partnership Agreement and agrees to be bound as a Limited Partner of the Partnership by the terms of the Partnership Agreement as from time to time amended, restated and/or supplemented and in effect and acknowledges that it will be liable for all obligations of a Limited Partner of the Partnership as set forth in the Partnership Agreement and in the *Limited Partnerships Act* (Ontario);
- (q) **General Partner, Manager, and Administrator Compensation**: the Subscriber acknowledges that pursuant to the Partnership Agreement, the General Partner and its related parties shall be entitled to receive compensation and reimbursement of expenses from the Partnership, as more fully described in the Partnership Agreement, and that the manager and administrator to the Partnership and their respective related parties shall be entitled to receive fees and expenses from the Partnership, as more fully described in the Offering Memorandum;
- (r) **Legal and Investment Advice**: the Subscriber acknowledges and agrees that it is responsible for obtaining such legal and investment, including tax, advice as it considers appropriate in connection

with the execution, delivery, and performance by it of this Agreement and the transactions contemplated hereunder;

- (s) **Legal Capacity:** the Subscriber has and will have the legal capacity and competence to enter into and execute this Agreement and to take all actions required pursuant hereto and, if the Subscriber is a corporation, it is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders, and others have been given to authorize the execution and delivery of this Agreement on behalf of the Subscriber;
- (t) **Use of Leverage:** the Subscriber is aware that using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only, and that if the Subscriber borrows money to purchase the Units, the Subscriber's responsibility to repay the loan and pay interest as required by its terms remains the same, even if the value of the securities purchased declines;
- (u) **No Violation:** the entering into of this Agreement and the completion of the transactions contemplated hereby will not result in a violation of any of the terms and provisions of any law applicable to, or, if the Subscriber is a corporation, the constating documents of, the Subscriber, or of any agreement to which the Subscriber may be a party or by which the Subscriber is or may be bound;
- (v) **Duly Executed and Delivered:** this Agreement has been duly executed and delivered, and is applicable, authorized, by the Subscriber, and constitutes a valid and binding agreement of the Subscriber enforceable against the Subscriber in accordance with its terms;
- (w) **Independent Legal Advice:** the Subscriber acknowledges that it has been encouraged to obtain independent legal, income tax, and investment advice with respect to its subscription for the Subscriber's Units and, accordingly, has had the opportunity to acquire an understanding of the meanings of all terms contained herein relevant to the Subscriber for purposes of giving representations, warranties, and covenants under this Agreement;
- (x) **Broker:** except for the placement agents referred to in the Offering Memorandum and any other arrangements that may be made by the General Partner, there is no person acting or purporting to act in connection with the transactions contemplated herein who is entitled to any brokerage or finder's fee and if any person establishes a claim that any fee or other compensation is payable in connection with this subscription for the Subscriber's Units, the Subscriber covenants to indemnify and hold harmless the Partnership with respect thereto and with respect to all costs reasonably incurred in the defence thereof;
- (y) **Illegal Use of Funds:** none of the funds being used to purchase the Subscriber's Units are to the Subscriber's knowledge proceeds obtained or derived directly or indirectly as a result of illegal activities. The funds being used to purchase the Subscriber's Units that will be advanced by the Subscriber to the Partnership 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 Subscriber acknowledges that the Partnership may in the future be required by law to disclose the Subscriber's name and other information relating to this Agreement and the Subscriber's subscription hereunder, on a confidential basis, pursuant to the PCMLTFA. To the best of its knowledge, none of the funds to be provided by the Subscriber is being tendered on behalf of a person or entity who has not been identified to the Subscriber. The Subscriber covenants to promptly notify the Partnership if the Subscriber discovers that any of such representations ceases to be true, and to provide the Partnership with appropriate information in connection therewith;

- (z) **Personal Information**: the Subscriber:
- (i) acknowledges that this Agreement requires the Subscriber to provide certain Personal Information to the General Partner and the Partnership. Such information is being collected by the General Partner and the Partnership for the purposes of completing the Private Placement, which includes, without limitation, determining the Subscriber's eligibility to purchase the Subscriber's Units under applicable Securities Laws, issuing and registering the Subscriber's Units, completing any filings required by the Commissions, and preparing Partnership records;
 - (ii) acknowledges, agrees, and consents to the foregoing collection and use of the Subscriber's Personal Information, as well as the disclosure of the Personal Information by the General Partner and the Partnership to their authorized officers, agents, and advisors and to applicable Commissions as necessary; and
 - (iii) acknowledges and consents to the General Partner and the Partnership retaining the Personal Information for as long as permitted or required by applicable law or business practices. The Subscriber further acknowledges and consents to the fact that the General Partner and the Partnership may be required by applicable securities laws, stock exchange, or other rules, to provide regulatory authorities any Personal Information provided by the Subscriber respecting itself.

The Subscriber acknowledges and agrees that the Subscriber has been notified by the Partnership that it may be required to deliver a form to the applicable securities regulatory authority(ies) or regulator(s) containing personal information of the Subscriber, including the full name, residential address, telephone number and e-mail address (if available) of the Subscriber, the number and type of securities purchased, the total purchase price paid for such securities, the date of the purchase, the prospectus exemption relied upon under applicable securities laws to complete such purchase, including how the Subscriber qualifies for such exemption, whether the Subscriber is a registrant and information relating to any compensation paid and the person so compensated in connection with the investment. This information is collected by the applicable securities regulatory authority(ies) or regulator(s) under the authority granted in securities legislation, for the purposes of the administration and enforcement of the securities legislation of the applicable jurisdiction(s). By submitting this subscription, the Subscriber authorizes the indirect collection of the information by the applicable securities regulatory authority(ies) or regulator(s) and acknowledges that such information may be made available to the public under applicable securities legislation. The title, business address, and business telephone number of the public official(s) in the applicable jurisdiction(s) who can answer questions about the collection of information described above are set out in **Schedule "H"**.

- 3.2 The Subscriber acknowledges and agrees that the foregoing representations and warranties are made by the Subscriber with the intent that they may be relied upon by the Partnership and the General Partner in determining its eligibility as a purchaser of the Units under relevant securities legislation and the Subscriber hereby agrees to indemnify and hold harmless the Partnership and the General Partner and their respective representatives, directors, officers, and employees from and against all losses, liability, claims, costs, expenses, and damages from reliance thereon in the event that such representations and warranties are untrue in any material respect. The Subscriber further agrees that by accepting the Units, the Subscriber shall be representing and warranting that the foregoing representations and warranties contained herein or in any document furnished by the Subscriber to the Partnership and the General Partner are and shall be true as at the Closing Date with the same force and effect as if they had been made by the Subscriber as at the Closing Date and shall continue in full force and effect notwithstanding any subsequent disposition by the Subscriber of the Units.

4. REPRESENTATIONS, WARRANTIES, AND COVENANTS OF THE PARTNERSHIP

- 4.1 The Partnership represents, warrants, and covenants to and with the Subscriber that, as of the Closing Date:
- (a) the Partnership will be a valid and subsisting limited partnership formed under the *Limited Partnerships Act* (Ontario) to carry on business;
 - (b) the Partnership will have full power and authority to enter into and perform this Agreement and to do all other acts that are necessary to consummate the transactions contemplated in this Agreement;
 - (c) the Partnership will use the proceeds from the issue of the Units, after deducting expenses incurred in connection with the Private Placement, to invest as described in the Offering Memorandum and in accordance with the Partnership Agreement;
 - (d) no order ceasing or suspending trading in the securities of the Partnership nor prohibiting sale of such securities will have been issued to the Partnership or its directors, officers, or promoters or to any companies that have common directors, officers, or promoters and no investigations or proceedings for such purposes are pending or threatened;
 - (e) the Partnership will have complied and will fully comply with the requirements of applicable securities, corporate, and partnership legislation in respect of the Private Placement;
 - (f) the creation, issuance, and sale of the Units and the completion of the other transactions contemplated by this Agreement will not conflict with and will not result in a breach of any of the terms, conditions, or provisions of the constating documents of the Partnership or any agreement or instrument to which the Partnership is a party or by which its assets are affected; and
 - (g) this Agreement will be duly authorized by all necessary action on the part of the Partnership, and will constitute a valid obligation of the Partnership legally binding upon it and enforceable against the Partnership in accordance with its terms.

5. DELIVERY AND PAYMENT

- 5.1 At least two (2) business days prior to Closing, the Subscriber must deliver to the General Partner the following required documents:
- (a) this Agreement duly completed and executed by the Subscriber;
 - (b) payment of the Subscription Amount, in the manner set forth herein; and
 - (c) all applicable schedules to this Agreement, duly completed and executed by the Subscriber.

5.2 The Subscriber shall also be required to execute any further documentation as required under securities legislation or other regulatory authority and covenants and agrees to do so upon request by the Partnership.

6. CLOSING

- 6.1 At the Closing applicable to the subscription hereunder, subject to receipt of all completed documentation in accordance with **Section 5**, the Partnership will deliver to the Subscriber in accordance with the Subscriber's "Delivery Instructions" set forth in this Agreement:
- (a) a photocopy of this Agreement and the Partnership Agreement duly executed by the Partnership; and

- (b) confirmation of the issuance of Units issued to the Subscriber pursuant to the subscription hereunder, including the date of issuance, the registration details (where the Units will be registered in the name of the Subscriber or in such other name as set forth under "Registration Instructions" in this Agreement), and the number of Units so issued.
- 6.2 Subject to **Section 6.3**, The Subscriber acknowledges and agrees that: (a) the Units will be issued in uncertificated form and that no formal certificate will be issued representing the Units to be issued pursuant to the subscription hereunder; and (b) the issuance of Units hereunder will be reflected in the limited partnership records of the Partnership.
- 6.3 Notwithstanding any other provision in this agreement, including **Section 6.2**, the Partnership may, in its discretion, or upon request by a Limited Partner, issue certificates representing units of the Partnership, in accordance with the Partnership Agreement.
- 6.4 The Subscriber hereby:
- (a) irrevocably authorizes the General Partner, in its sole discretion, to act as the Subscriber's representative at the Closing, to receive certificates representing the Subscriber's Units, if any, and to execute in its name and on its behalf all closing receipts and documents required;
 - (b) irrevocably authorizes the General Partner to negotiate and settle the form of any agreement to be entered into in connection with this transaction and to waive on its behalf and, if applicable, on behalf of the other subscribers for Units, in whole or in part, or extend the time for compliance with, any of the representations, warranties, covenants, or closing conditions under this Agreement in such manner and on such terms and conditions as the General Partner may determine, acting reasonably, without in any way adversely affecting the Subscriber's obligations or the obligations of such others hereunder;
 - (c) authorizes the General Partner to correct any minor errors in, or complete any minor information missing from, this Agreement as executed by the Subscriber and delivered to the Partnership;
 - (d) acknowledges and agrees that the General Partner may vary, amend, alter, or waive, in whole or in part, one or more of the conditions or covenants set forth in this Agreement in such manner and on such terms and conditions as it may determine, acting reasonably, without affecting in any way the Subscriber's or others' obligations hereunder;
 - (e) irrevocably authorizes the General Partner to swear, accept, execute, file (including the filing of all documents necessary with the Commissions in connection with the transactions contemplated hereby), and record any documents (including receipts) necessary to accept delivery of the Units on the Closing and to terminate this subscription on behalf of the Subscriber pursuant to the terms of this Agreement;
 - (f) makes the representations and warranties, including without limitation, representations and warranties as to its residency, set out in the Partnership Agreement; and
 - (g) is deemed to represent and warrant that, unless such Subscriber has provided written notice to the General Partner prior to the date of acceptance of its subscription to the contrary, it is not a "financial institution" as that term is defined in subsection 142.2(1) of the Tax Act.

7. POWER OF ATTORNEY

- 7.1 In consideration of the General Partner, on behalf of the Partnership, accepting the subscription of the Subscriber and conditional thereon:

- (a) the Subscriber hereby agrees to be bound as a Limited Partner in the Partnership by the terms of the Limited Partnership Agreement in effect, including, but not limited to, the power of attorney granted to the General Partner therein, and the Subscriber hereby expressly ratifies and confirms, for all legal purposes, the execution and delivery of the Limited Partnership Agreement by the General Partner on behalf of the Subscriber and all actions taken on behalf of the Subscriber pursuant thereto; and

- (b) the Subscriber hereby irrevocably nominates, constitutes, and appoints the General Partner, with full power of substitution, as the Subscriber's agent and true and lawful attorney to act on the Subscriber's behalf with full power and authority in the Subscriber's name, place, and stead to, as applicable, execute, swear to, acknowledge, deliver, file, and record in the appropriate public offices in any jurisdictions where the General Partner considers it appropriate or otherwise any and all of:
 - (i) the Limited Partnership Agreement, and any amendment, change, or modification thereto from time to time made in accordance with its terms, and all declarations and other instruments or documents required to continue and keep in good standing the Partnership as a limited partnership under the *Limited Partnerships Act* (Ontario), or otherwise to comply with the laws of any jurisdiction in which the Partnership may carry on business or own or lease property in order to maintain the limited liability of the Limited Partners and to comply with the applicable laws of such jurisdiction (including such amendments to the declaration or the record of the Partnership as may be necessary to reflect the admission to the Partnership of subscribers for or transferees of Units as contemplated by the Limited Partnership Agreement);
 - (ii) all instruments and any amendments to the declaration of the Partnership necessary to reflect any amendment to the Limited Partnership Agreement;
 - (iii) all conveyances and other instruments or documents required or otherwise considered by the General Partner to be appropriate in connection with the dissolution, winding-up and liquidation of the Partnership subject to the terms and restrictions of the Limited Partnership Agreement, including cancellation of any declaration and the distribution of the assets of the Partnership, and including the execution of any elections under subsections 85(2) or 98(3) of the Tax Act, and any analogous provincial legislation;
 - (iv) any documents necessary or appropriate to be filed with any governmental body or authority in connection with the business, property, assets, and undertaking of the Partnership or in connection with the Limited Partnership Agreement;
 - (v) such documents as may be necessary to give effect to the undertaking of the Partnership as described in the Limited Partnership Agreement;
 - (vi) such documents on the Subscriber's behalf and in the Subscriber's name as may be necessary to give effect to a sale or assignment of a Unit in accordance with the Limited Partnership Agreement or to give effect to the admission of a subscriber for or transferee of Units to the Partnership, including the admission of additional or substituted Limited Partners or a transferee of Units as a new Limited Partner of the Partnership;
 - (vii) any election, determination, designation, information return, or similar document or instrument as may be required or otherwise considered by the General Partner to be appropriate at any time under the Tax Act, the *Excise Tax Act* (Canada), or under any other taxation legislation or laws of like import of Canada or of any province, territory, or jurisdiction that relates to the affairs of the Partnership or the interest of any Person in the Partnership; and

- (viii) all other instruments and documents on the Subscriber's behalf and in the Subscriber's name or in the name of the Partnership as may be deemed necessary by the General Partner to carry out fully the Limited Partnership Agreement in accordance with its terms.

7.2 Each of the power of attorney granted in **Section 7** and in the Limited Partnership Agreement is irrevocable, is a power coupled with an interest, continues despite the mental incompetence of the Subscriber, shall survive a transfer or assignment permitted by the Limited Partnership Agreement by the Subscriber of the whole (but only in respect of matters relating to such Person's status as a Limited Partner during the time such Person was a Limited Partner) or any part of the interest of the Subscriber in the Partnership, extends to the heirs, executors, administrators, other legal representatives and successors, transferees, and assigns of the Subscriber, shall survive the subsequent legal incapacity of the Subscriber, shall survive the dissolution, death or disability, including mental disability, of the Subscriber, and may be exercised by the General Partner on behalf of each Limited Partner, including the Subscriber, in executing any instrument by a facsimile or electronic signature or by executing such instrument with a single signature as attorney and agent for all of them. The Subscriber agrees to be bound by any representations or actions made or taken by the General Partner pursuant to these powers of attorney and hereby waives any and all defences that may be available to contest, negate, or disaffirm the action of the General Partner taken in good faith under these powers of attorney. In accordance with applicable legislation, the Subscriber declares that these powers of attorney may be exercised during any legal incapacity or mental infirmity on the Subscriber's part and that any applicable public trustee shall not become the statutory guardian of property of the Subscriber in respect of the interest of the Subscriber in the Partnership.

7.3 A change in the composition of the Partnership is not deemed to change the nature of the Partnership and will not impair the validity or efficacy of the above powers of attorney.

7.4 The Subscriber hereby acknowledges and agrees that all documents and other actions taken by the General Partner on behalf of the Subscriber pursuant to the above powers of attorney will be binding upon the Subscriber and the Subscriber hereby agrees to ratify any of such documents or actions upon request by the General Partner.

8. PURCHASING AS BARE TRUSTEE OR AGENT

8.1 If the Subscriber is purchasing the Units as bare trustee or agent (including, for greater certainty, a portfolio manager or comparable adviser) for one or more principals, the Subscriber has notified the Partnership of such fact and:

- (a) represents and warrants that the bare trustee or agent is duly authorized to execute and deliver this Subscription Agreement and all other necessary documentation in connection with such purchase on behalf of such principal(s), to agree to the terms and conditions contained herein and therein and to make the representations, warranties, certifications, acknowledgments, and covenants made herein and therein, and that this Subscription Agreement has been duly authorized, executed, and delivered by or on behalf of, and constitutes a legal, valid, and binding agreement enforceable against, such principal(s);
- (b) acknowledges that the Partnership may be required by law to disclose, on a confidential basis, to certain regulatory authorities, the identity of such principal purchaser(s) of the Units for whom the Subscriber may be acting, and agrees to provide such information as may be required by the Partnership to comply with such requirements; and
- (c) agrees to indemnify each of the Partnership and any dealer against all losses, claims, costs, expenses, damages and liabilities that they may suffer or incur or cause arising from the reliance on the representations, warranties, acknowledgments, and covenants of the Subscriber contained herein by the Partnership, or the breach of any of them by the Subscriber, as the case may be.

8.2 All representations, warranties, certifications, covenants, agreements, consents and acknowledgments provided by the Subscriber in this Subscription Agreement are being made by the Subscriber on its own behalf and, if applicable, on behalf of each beneficial owner for whom it is acting hereunder.

9. NOTICE

9.1 Any notice to be given by any party to another under this Agreement shall be deemed to be properly given when in writing and delivered by hand or communicated by e-mail on any business day to the following address for notice of the intended recipient:

(a) for the Subscriber:

To the address of the Subscriber set out in the Subscription Form that is part of this Agreement.

(b) for the Partnership:

360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7

Attention: Chief Operations Officer of the General Partner

Telephone: 1-844-667-3726

E-mail: info@rescogroup.ca

A party may by notice to the other party change its address for notice to some other address and will so change its address for notice to an address that is adequate whenever its existing address for notice is not adequate for delivery by hand.

10. INDEMNITY

10.1 The Subscriber agrees to indemnify and hold harmless the Partnership and the General Partner and their directors, officers, employees, agents, legal and other advisers, and shareholders from and against any and all loss, liability, claim, damage, and expense whatsoever (including, but not limited to, any and all fees, costs, and expenses whatsoever reasonably incurred in investigating, preparing, or defending against any claim, lawsuit, administrative proceeding, or investigation whether commenced or threatened) arising out of or based upon any representation or warranty of the Subscriber contained herein or in any document furnished by the Subscriber to the Partnership or the General Partner in connection herewith being untrue in any material respect or any breach or failure by the Subscriber to comply with any covenant or agreement made by the Subscriber herein or in any document furnished by the Subscriber to the Partnership or the General Partner in connection herewith.

11. NO ASSIGNMENT

11.1 Neither the Subscriber nor the Partnership may set over or assign all or any part of its interest in or to this Agreement without the written consent of the other and any purported assignment without such consent is void.

12. FURTHER ASSURANCES

12.1 The parties hereto each covenant and agree to execute and deliver such further agreements, documents, and writings and provide such further assurances as may be required by the parties to give effect to this Agreement and without limiting the generality of the foregoing to do all acts and things, execute and deliver all documents, agreements, and writings, and provide such assurances, undertakings, information, and investment letters as may be required from time to time by all regulatory or governmental bodies having jurisdiction over the Partnership's affairs or as may be required from time to time under the applicable securities legislation, and any other applicable law.

13. MISCELLANEOUS

- 13.1 This Agreement is governed by and interpreted according to the laws of Ontario, and the federal laws of Canada applicable therein, and the parties hereby agree to submit to the jurisdiction of the courts of the province of Ontario located in Toronto, Ontario in connection with any disputes arising hereunder.
- 13.2 Time is of the essence of this Agreement.
- 13.3 Except as expressly provided in this Agreement and in the agreements, instruments, and other documents contemplated or provided for herein, including the Partnership Agreement, this Agreement contains the entire agreement between the parties with respect to the sale of the Units and there are no other terms, conditions, representations, or warranties, whether expressed, implied, oral or written, by statute, or by common law, by the Partnership, by the General Partner, by the Subscriber, or by any other person. In the event that execution pages are delivered to the Partnership without this entire Agreement, the Partnership is entitled to assume that the Subscriber has accepted all of the terms and conditions contained in the parts of this Agreement that are not returned, without amendment or modification. In the event of any inconsistency between the provisions of this Agreement (including the Term Sheet) and the Partnership Agreement, the provisions of the Partnership Agreement shall prevail.
- 13.4 This Agreement may be amended or modified in any respect by written instrument only.
- 13.5 The terms, provisions, representations, warranties, and covenants of the Partnership and the Subscriber, respectively, survive the Closing, the payment of the Subscription Price, the issue and delivery of the Units, the completion of filings contemplated herein, and all other transactions contemplated herein.
- 13.6 This Agreement may be executed in as many counterparts as may be necessary, each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.
- 13.7 The General Partner and the Partnership will be entitled to rely upon delivery via e-mail of an executed copy of this Agreement and acceptance of the General Partner on behalf of the Partnership of such e-mail copy will be legally effective to create a valid and binding agreement between the Subscriber and the Partnership in accordance with the terms hereof.
- 13.8 This Agreement shall enure to the benefit of and be binding upon the Partnership and the Subscriber and their respective successors, permitted assigns, and other legal representatives.
- 13.9 The obligations of the parties hereunder are subject to acceptance of the terms of the Private Placement by any required regulatory authorities.
- 13.10 All dollar amounts referred to in this Agreement are in Canadian Dollars.
- 13.11 Each of the parties hereto shall do or cause to be done all such acts and things and shall execute or cause to be executed all such documents, agreements, and other instruments as may reasonably be necessary or desirable for the purpose of carrying out the provisions and intent of this Agreement.
- 13.12 The Subscriber confirms that the Subscriber has requested that this Agreement, the Partnership Agreement, and all communications with respect thereto be in the English language; *le soussigné confirme avoir requis que ce formulaire de souscription, le contrat de société en commendite plus haut mentionnés et toute autre communication y afférente soient en langue anglaise.*

**SCHEDULE "A" – RISK ACKNOWLEDGEMENT FORM
FORM 45-106F4**

**THIS RISK ACKNOWLEDGMENT FORM IS TO BE COMPLETED WHEN RELYING ON THE
OFFERING MEMORANDUM EXEMPTION**

(TWO COPIES REQUIRED)

WARNING!
This investment is risky. Don't invest unless you can afford to lose all the money you pay for this investment.

| 1. Risks and other information | Your Initials |
|---|---------------|
| Risk of loss – You could lose your entire investment of \$ _____. | |
| No approval – No securities regulatory authority or regulator has evaluated or approved the merits of these securities or the disclosure in the offering memorandum. | |
| Liquidity risk – You will not be able to sell these securities except in very limited circumstances. You may never be able to sell these securities. | |
| Repurchase – You have a right to require the issuer to repurchase the securities, but there are limitations on this right. | |
| You are buying Exempt Market Securities – They are called <i>exempt market securities</i> because the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections). <i>Exempt market securities</i> are more risky than other securities. | |
| 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. | |
| <p>The issuer of your securities is a non-reporting issuer – A <i>non-reporting issuer</i> 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.</p> <p>For more information on the exempt market, contact your local securities regulator. You can find contact information at www.securities-administrators.ca.</p> | |
| Total investment – You are investing \$_____ in total; this includes any amount you are obliged to pay in future. RESCO First Mortgage Fund LP will pay \$_____ of this to _____ [name of person selling the securities] as a fee or commission. | |
| Your name and signature | |
| By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form. | |
| First and last name (print): | |
| Signature: | Date: |
| [Instruction: Sign 2 copies of this document. Keep one copy for your records.] | |

2. Salesperson information

Below information must be completed by the salesperson

[The salesperson is the person who meets with, or provides information to, the purchaser with respect to making this investment. That could include a representative of the issuer, a registrant or a person who is exempt from the registration requirement.]

First and last name of salesperson (print):

Telephone:

Email:

Name of firm:

3. Additional information

The issuer must complete the required information in this section before giving the form to the purchaser

You have 2 business days to cancel your purchase

To do so, send a notice to RESCO First Mortgage Fund LP 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 RESCO First Mortgage Fund LP at its business address. Keep a copy of the notice for your records.

Issuer Name and Address:
RESCO FIRST MORTGAGE FUND LP
360 Highway 7 East, Unit 28
Richmond Hill, ON L4B 3Y7

Fax: 905-889-4155

Email: info@rescomic.ca

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.

SCHEDULE “B-1” - CLASSIFICATION OF INVESTORS UNDER THE OFFERING MEMORANDUM EXEMPTION

Instructions: This schedule must be completed together with **Schedule “A” - Risk Acknowledgement Form** and **Schedule “B-2” – Investment Limits for Investors Under the Offering Memorandum Exemption** by individuals purchasing securities under the exemption (the “offering memorandum” exemption) in subsection 2.9(2.1) of National Instrument 45-106 - *Prospectus Exemptions* (“**NI 45-106**”).

| |
|--|
| How you qualify to buy securities under the offering memorandum exemption |
| Initial the statement under A, B, C or D containing the criteria that applies to you. (You may initial more than one statement.) If you initial a statement under B or C, you are not required to complete A. <i>If you initial a statement under B, you must also complete <u>Schedule “C”</u> and, if applicable, <u>Schedule “D”</u>.</i> |

| A. You are an eligible investor because: | | Your initials |
|--|--|---------------|
| ELIGIBLE INVESTOR | Your net income before taxes was more than \$75,000 in each of the 2 most recent calendar years, and you expect it to be more than \$75,000 in this calendar year. (You can find your net income before taxes on your personal income tax return). | |
| | Your net income before taxes combined with your spouse’s was more than \$125,000 in each of the 2 most recent calendar years, and you expect your combined net income to be more than \$125,000 in this calendar year. (You can find your net income before taxes on your personal income tax return). | |
| | Either alone or with your spouse, you have net assets worth more than \$400,000. (Your net assets are your total assets, including real estate, minus your total debt including any mortgage on your property.) | |

| B. You are an eligible investor, as a person described in section 2.3 [<i>Accredited investor</i>] of NI 45-106 or, as applicable in Ontario, subsection 7.3(3) of the <i>Securities Act</i> (Ontario), because: | | Your initials |
|--|--|---------------|
| ACCREDITED INVESTOR | Your net income before taxes was more than \$200,000 in each of the 2 most recent calendar years, and you expect it to be more than \$200,000 in this calendar year. (You can find your net income before taxes on your personal income tax return). | |
| | Your net income before taxes combined with your spouse’s was more than \$300,000 in each of the 2 most recent calendar years, and you expect your combined net income to be more than \$300,000 in the current calendar year. | |
| | Either alone or with your spouse, you own more than \$1 million in cash and securities, after subtracting any debt related to the cash and securities. | |
| | Either alone or with your spouse, you have net assets worth more than \$5 million. (Your net assets are your total assets (including real estate) minus your total debt.) | |

| C. You are an eligible investor, as a person described in section 2.5 [Family, friends and business associates] of NI 45-106, because: | | Your initials |
|--|--|---------------|
| FAMILY, FRIENDS AND BUSINESS ASSOCIATES | <p>You are:</p> <p>(1) <i>[check all applicable boxes]</i></p> <p><input type="checkbox"/> a director of the issuer or an affiliate of the issuer</p> <p><input type="checkbox"/> an executive officer of the issuer or an affiliate of the issuer</p> <p><input type="checkbox"/> a control person of the issuer or an affiliate of the issuer</p> <p><input type="checkbox"/> a founder of the issuer</p> <p>OR</p> <p>(2) <i>[check all applicable boxes]</i></p> <p><input type="checkbox"/> a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, (i) individuals listed in (1) above and/or (ii) family members, close personal friends or close business associates of individuals listed in (1) above</p> <p><input type="checkbox"/> A trust or estate of which all of the beneficiaries or a majority of the trustees or executors are (i) individuals listed in (1) above and/or (ii) family members, close personal friends or close business associates of individuals listed in (1) above.</p> | |
| | <p>You are a family member of _____ <i>[Instruction: Insert the name of the person who is your relative either directly or through his or her spouse]</i>, who holds the following position at the issuer or an affiliate of the issuer: _____.</p> <p>You are the _____ of that person or that person's spouse. <i>[Instruction: To qualify for this investment, you must be (a) the spouse of the person listed above or (b) the parent, grandparent, brother, sister, child or grandchild of that person or that person's spouse.]</i></p> | |
| | <p>You are a close personal friend of _____ <i>[Instruction: Insert the name of your close personal friend]</i>, who holds the following position at the issuer or an affiliate of the issuer: _____.</p> <p>You have known that person for _____ years.</p> | |
| | <p>You are a close business associate of _____ <i>[Instruction: Insert the name of your close business associate]</i>, who holds the following position at the issuer or an affiliate of the issuer: _____.</p> <p>You have known that person for _____ years.</p> | |
| D. You are not an eligible investor. | | Your initials |
| NOT AN ELIGIBLE INVESTOR | You acknowledge that you are not an eligible investor. | |

SCHEDULE “B-2” - INVESTMENT LIMITS FOR INVESTORS UNDER THE OFFERING MEMORANDUM EXEMPTION

Instructions: This schedule must be completed together with Schedule “A” - Risk Acknowledgement Form and Schedule “B-1” – Classification of Investors Under the Offering Memorandum Exemption by individuals purchasing securities under the exemption (the “offering memorandum” exemption) in subsection 2.9(2.1) of National Instrument 45-106 - *Prospectus Exemptions* (“**NI 45-106**”).

| SECTION 1 TO BE COMPLETED BY THE PURCHASER | | |
|--|---|----------------------|
| 1. Investment limits you are subject to when purchasing securities under the offering memorandum exemption | | |
| You may be subject to annual investment limits that apply to all securities acquired under the offering memorandum exemption in a 12 month period, depending on the criteria under which you qualify as identified in Schedule “B-1”. Initial the statement that applies to you. | | |
| A. You are an eligible investor. | | Your initials |
| ELIGIBLE INVESTOR | As an eligible investor that is an individual, you cannot invest more than \$30,000 in all offering memorandum exemption investments made in the previous 12 months, unless you have received advice from a portfolio manager, investment dealer or exempt market dealer, as identified in section 2 of this schedule, that your investment is suitable. Initial one of the following statements: | |
| | You confirm that, after taking into account your investment of \$_____ today in this issuer, you have not exceeded your investment limit of \$30,000 in all offering memorandum exemption investments made in the previous 12 months. | |
| | You confirm that you received advice from a portfolio manager, investment dealer or exempt market dealer, as identified in section 2 of this schedule that the following investment is suitable. | |
| | You confirm that, after taking into account your investment of \$_____ today in this issuer, you have not exceeded your investment limit in all offering memorandum exemption investments made in the previous 12 months of \$100,000. | |
| B. You are an eligible investor, as a person described in section 2.3 [<i>Accredited investor</i>] of NI 45-106 or, as applicable in Ontario, subsection 7.3(3) of the <i>Securities Act</i> (Ontario). | | Your initials |
| ACCREDITED INVESTOR | You acknowledge that, by qualifying as an eligible investor as a person described in section 2.3 [<i>Accredited investor</i>], you are not subject to investment limits. <i>You must also complete <u>Schedule “C”</u> and, if applicable, <u>Schedule “D”</u>.</i> | |

| C. You are an eligible investor, as a person described in section 2.5 [<i>Family, friends and business associates</i>] of NI 45-106. | | Your initials |
|--|--|---------------|
| FAMILY, FRIENDS AND BUSINESS ASSOCIATES | You acknowledge that, by qualifying as an eligible investor as a person described in section 2.5 [<i>Family, friends and business associates</i>], you are not subject to investment limits. | |

| D. You are not an eligible investor. | | Your initials |
|--------------------------------------|---|---------------|
| NOT AN ELIGIBLE INVESTOR | <p>You acknowledge that you cannot invest more than \$10,000 in all offering memorandum exemption investments made in the previous 12 months.</p> <p>You confirm that, after taking into account your investment of \$_____ today in this issuer, you have not exceeded your investment limit of \$10,000 in all offering memorandum exemption investments made in the previous 12 months.</p> | |

| SECTION 2 TO BE COMPLETED BY THE REGISTRANT | |
|--|------------|
| 2. Registrant information | |
| <i>[Instruction: this section must only be completed if an investor has received advice from a portfolio manager, investment dealer or exempt market dealer concerning his or her investment.]</i> | |
| First name and last name of registrant (please print): [•] | |
| Registered as: [•] | |
| Telephone: [•] | Email: [•] |
| Name of firm: [•] | |
| Date: | |

SCHEDULE "C"

ACCREDITED INVESTOR CERTIFICATE

TO: RESCO FIRST MORTGAGE FUND LP (the "Partnership")

In connection with the purchase of units (the "**Units**") of the Partnership by the undersigned subscriber (the "**Subscriber**"), the Subscriber hereby represents, warrants, covenants, and certifies to the Partnership that:

1. The Subscriber is resident in a province of Canada or is subject to the laws of a province in Canada;
2. The Subscriber is purchasing the Units as principal for its own account;
3. The Subscriber is an "accredited investor" within the meaning of National Instrument 45-106 *Prospectus Exemptions* or the *Securities Act* (Ontario) by virtue of satisfying the indicated criterion as set out herein; and
4. Upon execution of this certificate by the Subscriber, this certificate shall be incorporated into and form a part of the Subscription Agreement and Power of Attorney to which this **Schedule "B"** is attached.

Dated: _____, 2020.

Print name of Subscriber

By: _____
Signature

Print name of Signatory (for a corporate Subscriber)

Title (for a corporate Subscriber)

ACCREDITED INVESTOR CATEGORIES

PLEASE MARK YOUR INITIALS BESIDE THE CATEGORY TO WHICH YOU BELONG

Meaning of “Accredited Investor”

“Accredited Investor” is defined in National Instrument 45-106 *Prospectus Exemptions* and/or the *Securities Act* (Ontario) to mean any person who fits within any of the following categories at the time of the sale of securities to that person. (See below for certain defined terms used within the following categories.)

(PLEASE CHECK THE BOX OF THE APPLICABLE CATEGORY OF ACCREDITED INVESTOR)

The Subscriber is:

- ____ (a) an **individual** who, either alone or with a **spouse**, beneficially owns **financial assets** (cash, securities, contracts of insurance, deposits and evidences of deposits that are not securities for the purpose of securities legislation – *does not include real estate*) having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000, **[INSTRUCTION: PLEASE ALSO COMPLETE SCHEDULE “D”]**
- ____ (b) an **individual** who beneficially owns **financial assets** having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$5,000,000,
- ____ (c) an **individual** whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a **spouse** exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year, **[INSTRUCTION: PLEASE ALSO COMPLETE SCHEDULE “D”]**
- ____ (d) an **individual** who, either alone or with a **spouse**, has **net assets** of at least \$5,000,000, **[INSTRUCTION: PLEASE ALSO COMPLETE SCHEDULE “D”]**
- ____ (e) a **person** (ex: a corporation), other than an **individual** or **investment fund**, that has **net assets** of at least \$5,000,000, as shown on its most recently prepared financial statements, and that was not formed for the sole purpose of making a representation to this effect in order to qualify as an accredited investor,
- ____ (f) a **person** (ex: a corporation), other than an **individual**, in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors, and/or
- ____ (g) a trust established by an accredited investor for the benefit of the accredited investor’s family members of which a majority of the trustees are accredited investors and all of the beneficiaries are the accredited investor’s spouse, a former spouse of the accredited investor or a parent, grandparent, brother, sister, child or grandchild of that accredited investor, of that accredited investor’s spouse or of that accredited investor’s former spouse;

Defined Terms:

Certain terms used above are specifically defined by applicable securities legislation, regulation or rules, as follows:

“**company**” means any corporation, incorporated association, incorporated syndicate or other incorporated organization;

“financial assets” means (i) cash, (ii) securities, or (iii) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;

“individual” means a natural person, but does not include a partnership, unincorporated association, unincorporated organization, trust or a natural person in his or her capacity as trustee, executor, administrator or other legal personal representative;

“investment fund” has the same meaning as in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

“net assets” means all of the investor’s assets minus all of the investor’s liabilities;

“person” includes:

- (i) an individual,
- (ii) a corporation,
- (iii) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
- (iv) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;

“related liabilities” means:

- (i) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or
- (ii) liabilities that are secured by financial assets; and

“spouse” means, an individual who,

- (i) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual,
- (ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or
- (iii) in Alberta, is an individual referred to in paragraph (i) or (ii), or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta).

SCHEDULE "D"
RISK ACKNOWLEDGEMENT FORM FOR INDIVIDUAL ACCREDITED INVESTORS

[To be completed and initialled by Subscriber if you checked paragraph "(a)", "(c)", or "(d)" of the definition of "Accredited Investor" in Schedule "C"]

WARNING!
This investment is risky. Don't invest unless you can afford to lose all the money you pay for this investment.

| SECTION 1 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER | |
|--|---|
| 1. About your investment | |
| Type of Securities: Limited Partnership Units | Issuer: RESCO FIRST MORTGAGE FUND LP |
| Purchased From: RESCO FIRST MORTGAGE FUND LP | |
| SECTION 2 TO 4 TO BE COMPLETED BY THE PURCHASER | |
| 2. Risk Acknowledgement | |
| This investment is risky. Initial that you understand that: | Your Initials |
| <ul style="list-style-type: none"> • Risk of loss – You could lose your entire investment of CDN \$_____. <i>[Instruction: Insert the total dollar amount of the investment.]</i> | |
| <ul style="list-style-type: none"> • Liquidity risk – You may not be able to sell your investment quickly – or at all. | |
| <ul style="list-style-type: none"> • Lack of information – You may receive little or no information about your investment. | |
| <ul style="list-style-type: none"> • Lack of advice – You will not receive advice from the salesperson about whether this investment is suitable for you unless the salesperson is registered. The salesperson is the person who meets with, or provides information to, you about making this investment. To check whether the salesperson is registered, go to www.aretheyregistered.ca. | |
| 3. Accredited investor status | |
| You must meet at least one of the following criteria to be able to make this investment. Initial the statement that applies to you. (You may initial more than one statement.) The person identified in section 6 is responsible for ensuring that you meet the definition of accredited investor. That person, or the salesperson identified in section 5, can help you if you have questions about whether you meet these criteria. | Your Initials |
| <ul style="list-style-type: none"> • Your net income before taxes was more than \$200,000 in each of the 2 most recent calendar years, and you expect it to be more than \$200,000 in the current calendar year. (You can find your net income before taxes on your personal income tax return.) | |
| <ul style="list-style-type: none"> • Your net income before taxes combined with your spouse's was more than \$300,000 in each of the 2 most recent calendar years, and you expect your combined net income before taxes to be more than \$300,000 in the current calendar year | |
| <ul style="list-style-type: none"> • Either alone or with your spouse, you own more than \$1 million in cash and securities, after subtracting any debt related to the cash and securities. | |
| <ul style="list-style-type: none"> • Either alone or with your spouse, you have net assets worth more than \$5 million. (Your net assets are your total assets (including real estate) minus your total debt. | |

| | | | |
|---|-------|---------|--|
| 4. Your name and signature | | | |
| By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form | | | |
| First and last name (please print): | | | |
| Signature: | _____ | Date: | |
| SECTION 5 TO BE COMPLETED BY THE SALESPERSON | | | |
| 5. Salesperson information | | | |
| <i>[Instruction: The salesperson is the person who meets with, or provides information to, the purchaser with respect to making this investment. That could include a representative of the issuer or selling security holder, a registrant or a person who is exempt from the registration requirement.]</i> | | | |
| First and last name of salesperson (please print): | | | |
| Telephone: | | E-mail: | |
| Name of firm (if registered): | | | |
| SECTION 6 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER | | | |
| 6. For more information about this investment | | | |
| <p>RESCO FIRST MORTGAGE FUND LP 360 Highway 7 East, Unit 28 Richmond Hill, Ontario L4B 3Y7</p> <p>Attention: Chief Operations Officer of the General Partner Telephone: 1-844-667-3726 E-mail: info@rescogroup.ca</p> <p><i>For more information about prospectus exemptions, contact your local securities regulator. You can find contact information at www.securities-administrators.ca.</i></p> | | | |

| | |
|---|--|
| <u>FOR USE BY THE GENERAL PARTNER ONLY</u> | |
| This Subscription Agreement and Power of Attorney is hereby accepted and agreed to by RESCO First Mortgage Fund GP Corp., as general partner for and on behalf of RESCO First Mortgage Fund LP as of this _____ day of _____, 2020. | |
| Per: _____ Authorized Signatory | |

SCHEDULE "E" – REPRESENTATION LETTER AND FORM 45-106F12
FORM FOR FAMILY, FRIENDS AND BUSINESS ASSOCIATES INVESTORS

REPRESENTATION LETTER

TO BE COMPLETED BY PURCHASER

TO: TO: RESCO FIRST MORTGAGE FUND LP (the "Partnership")

(Capitalized terms not specifically defined in this Schedule have the meaning ascribed to them in the Subscription Agreement to which this Schedule is attached)

In connection with the execution by the undersigned Subscriber of the Subscription Agreement which this Representation Letter forms a part of, the undersigned Subscriber hereby represents, warrants, covenants and certifies to the Partnership, any dealer and their respective counsel that:

1. the undersigned Subscriber is resident in the jurisdiction set out as the "Subscriber's Residential Address" on the face page of the Subscription Agreement and, if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser is resident in the jurisdiction set out as the "Disclosed Beneficial Purchaser Information" on the face page of the Subscription Agreement;
1. the undersigned Subscriber is either (a) purchasing the Units as principal for its own account, (b) deemed to be purchasing the Units as principal in accordance with section 2.5 or 2.6 of NI 45-106, or (c) acting as agent for a disclosed beneficial purchaser who is purchasing the Units as principal for its own account;
2. the undersigned Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) is "family, a friend or business associate" within the meaning of NI 45-106 and Section 73.3 of the *Securities Act* (Ontario), as applicable, by virtue of satisfying the indicated criterion as set out in the attached form to this Representation Letter;
3. the Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) fully understands the meaning of the terms and conditions of the category of "family, friends and business associates" applicable to it and confirms that it has reviewed and understands the definitions in the form attached to this Representation Letter in respect of the category of "family, friends and business associates" applicable to it;
4. the Subscriber (or if the undersigned Subscriber is purchasing as agent for a disclosed beneficial purchaser, the disclosed beneficial purchaser) acknowledges that it needs to complete the form attached hereto this Representation Letter and upon execution the Subscriber, the form attached shall be incorporated into and form a part of this Representation Letter and the Partnership and any dealer and their respective counsel shall be entitled to rely thereon; and
5. upon execution of this Representation Letter by the undersigned Subscriber, this Representation Letter, including the form attached hereto, shall be incorporated into and form a part of the Subscription Agreement.

[Remainder of page left blank intentionally. Execution page to follow.]

Name of Subscriber (please print)

By:

Authorized Signature

Official Title or Capacity (please print)

Name of Signatory (please print name of individual whose
signature appears above different than name of Subscriber)

DATED at _____ this ____ day of _____, 20__.

IMPORTANT

PLEASE COMPLETE THE FORM ATTACHED BELOW TO THIS REPRESENTATION LETTER

WARNING!

This investment is risky. Don't invest unless you can afford to lose all the money you pay for this investment.

FORM 45-106F12

FORM FOR FAMILY, FRIENDS AND BUSINESS ASSOCIATES INVESTORS

| SECTION 1 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITYHOLDER: | |
|---|---|
| 1. About your investment | |
| Type of securities: Limited Partnership Units | Issuer: RESCO FIRST MORTGAGE FUND LP |
| Purchased from: RESCO FIRST MORTGAGE FUND LP | |
| SECTIONS 2 TO 4 TO BE COMPLETED BY THE PURCHASER | |
| 2. Risk acknowledgement | |
| This investment is risky. Initial that you understand that: | Your initials |
| Risk of loss – You could lose your entire investment of \$ _____. <i>[Instruction: Insert the total dollar amount of the investment.]</i> | |
| Liquidity risk – You may not be able to sell your investment quickly – or at all. | |
| Lack of information – You may receive little or no information about your investment. The information you receive may be limited to the information provided to you by the family member, friend or close business associate specified in section 3 of this form. | |
| 3. Family, friend or business associate status | |
| You must meet at least one of the following criteria to be able to make this investment. Initial the statement that applies to you. (You may initial more than one statement.) The person identified in section 5, can help you if you have questions about whether you meet these criteria. | Your initials |
| A. You are: 1. <i>[check all applicable boxes]</i> <input type="checkbox"/> a director of the issuer or an affiliate of the issuer <input type="checkbox"/> an executive officer of the issuer or an affiliate of the issuer <input type="checkbox"/> a control person of the issuer or an affiliate of the issuer <input type="checkbox"/> a founder of the issuer OR 2. <i>[check all applicable boxes]</i> <input type="checkbox"/> a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, (i) individuals listed in (1) above and/or (ii) family members, close personal friends or close business associates of individuals listed in (1) above <input type="checkbox"/> a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are (i) individuals listed in (1) above and/or (ii) family members, close personal friends or close business associates of individuals listed in (1) above | |

| | |
|--|--|
| <p>B. You are a family member of _____ <i>[Instruction: Insert the name of the person who is your relative either directly or through his or her spouse]</i>, who holds the following position at the issuer or an affiliate of the issuer: _____.</p> <p>You are the _____ of that person or that person's spouse.</p> <p><i>[Instruction: To qualify for this investment, the person listed above must be (a) your spouse or (b) your or your spouse's parent, grandparent, brother, sister, child or grandchild.]</i></p> | |
| <p>C. You are a close personal friend of _____ <i>[Instruction: Insert the name of your close personal friend]</i>, who holds the following position at the issuer or an affiliate of the issuer: _____.</p> <p>You have known that person for _____ years.</p> | |
| <p>D. You are a close business associate of _____ <i>[Instruction: Insert the name of your close business associate]</i>, who holds the following position at the issuer or an affiliate of the issuer: _____.</p> <p>You have known that person for _____ years.</p> | |

4. Your name and signature

By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form. You also confirm that you are eligible to make this investment because you are a family member, close personal friend or close business associate of the person identified in section 5 of this form.

First and last name (please print):

| | |
|------------|-------|
| Signature: | Date: |
|------------|-------|

SECTION 5 TO BE COMPLETED BY THE PERSON WHO CLAIMS THE CLOSE PERSONAL RELATIONSHIP

5. Contact person at the Issuer or an affiliate of the Issuer information

[Instruction: To be completed by the director, executive officer, control person or founder with whom the purchaser has a close personal relationship indicated under sections 3B, C or D of this form.]

By signing this form, you confirm that you have, or your spouse has, the following relationship with the purchaser: *[check the box that applies]*

- family relationship as set out in section 3B of this form
- close personal friendship as set out in section 3C of this form
- close business associate relationship as set out in section 3D of this form

First and last name of contact person (please print):

| | |
|------------|--------|
| Telephone: | Email: |
|------------|--------|

| | |
|------------|-------|
| Signature: | Date: |
|------------|-------|

SECTION 6 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER

6. For more information about this investment

RESCO FIRST MORTGAGE FUND LP

360 Highway 7 East, Unit 28

Richmond Hill, Ontario L4B 3Y7

Attention: Chief Operations Officer of the General Partner

Telephone: 1-844-667-3726

E-mail: info@rescogroup.ca

For more information about prospectus exemptions, contact your local securities regulator. You can find contact information at www.securities-administrators.ca.

Signature of executive officer of issuer (other than the purchaser):

Date:

Name:

Form instructions:

- 1. This form does not mandate the use of a specific font size or style but the font must be legible.*
- 2. The information in sections 1, 5 and 6 must be completed before the purchaser completes and signs the form.*
- 3. The purchaser, an executive officer who is not the purchaser and, if applicable, the person who claims the close personal relationship to the purchaser must sign this form. Each of the purchaser, contact person at the issuer and the issuer must receive a copy of this form signed by the purchaser. The issuer is required to keep a copy of this form for 8 years after the distribution.*
- 4. The detailed relationships required to purchase securities under this exemption are set out in section 2.5 of National Instrument 45-106 Prospectus and Registration Exemptions. For guidance on the meaning of "close personal friend" and "close business associate", please refer to sections 2.7 and 2.8, respectively, of Companion Policy 45-106CP Prospectus and Registration Exemptions.*

SCHEDULE "F" – PRIVACY NOTICE

This Subscription Agreement and the Exhibits hereto require the Subscriber to provide certain personal information (respecting the Subscriber and, if applicable, the beneficial purchaser for whom the Subscriber is contracting) to the Partnership. Such information is being collected by the Partnership for the purposes of completing the Offering, which includes, without limitation, determining the eligibility of the Subscriber or, if applicable, the beneficial purchaser for whom the Subscriber is contracting, to purchase the Units under applicable securities laws, preparing and registering certificates representing the Units to be issued hereunder and completing filings required under applicable securities legislation, regulations, rules, policies or orders or by any stock exchange or securities regulatory authority or taxation authority.

In addition, such personal information may be used or disclosed by the Partnership for the purpose of administering the Partnership's relationship with the Subscriber (including the provision of information to the Subscriber's adviser and dealer listed on page 2 of this Subscription Agreement) or, if applicable, the beneficial purchaser for whom the Subscriber is contracting. For example, such personal information may be used by the Partnership to communicate with the Subscriber or, if applicable, the beneficial purchaser for whom the Subscriber is contracting (such as by providing annual or quarterly reports), to prepare tax filings and forms or to comply with its obligations under taxation, securities and other laws (such as maintaining a list of holders of Units).

In connection with the foregoing, the personal information of the Subscriber or, if applicable, the beneficial purchaser for whom the Subscriber is contracting, may be disclosed by the Partnership to: (i) stock exchanges or securities regulatory or taxation authorities, (ii) any registrar and transfer agent appointed by the Partnership, (iii) the Canada Revenue Agency; (iv) any of the other persons involved in the Offering, including legal counsel, and may be included in record books prepared in respect of the Offering.

By executing this Subscription Agreement, the Subscriber (on its own behalf and, if applicable, on behalf of the beneficial purchaser for whom it is contracting) hereby consents to the collection, use and disclosure of such personal information. The Subscriber (on its own behalf and, if applicable, on behalf of the beneficial purchaser for whom it is contracting) also consents to the filing of copies or originals of any of the documents provided to the Partnership by or on behalf of the Subscriber with any securities regulatory authority in relation to the transactions contemplated by this Subscription.

If it is a resident of or otherwise subject to applicable securities laws of Ontario, the Subscriber (on its own behalf and, if applicable, on behalf of the beneficial purchaser for whom it is contracting), by executing this Subscription Agreement, hereby acknowledges that it has been notified by the Partnership (a) of the delivery to the Ontario Securities Commission (the "OSC") of the full name, residential address and telephone number of the Subscriber (and, if applicable, the beneficial purchaser for whom the Subscriber is contracting), the number and type of securities purchased, the total purchase price, the exemption relied upon and the date of distribution; (b) that this information is being collected indirectly by the OSC under the authority granted to it in securities legislation and that the Subscriber (and, if applicable, the beneficial purchaser for whom it is contracting) has authorized the indirect collection of the information by the OSC; (c) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (d) that the Administrative Assistant to the Director of Corporate Finance can be contacted at 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario M5H 3S8 or at (416) 593-8086 regarding any questions about the OSC's indirect collection of this information.

If it is a resident of or otherwise subject to applicable securities laws of British Columbia, the Subscriber (on its own behalf and, if applicable, on behalf of the beneficial purchaser for whom it is contracting), by executing this Subscription Agreement, hereby acknowledges that it has been notified by the Partnership that the following information concerning the Subscriber (and, if applicable, the beneficial purchaser for whom the Subscriber is contracting) required to be delivered to the British Columbia Securities Commission (the "BCSC") will be made public: (i) if the Subscriber (and, if applicable, the beneficial purchaser for whom the Subscriber is contracting) is an individual, the full name of the Subscriber (and, if applicable, the beneficial purchaser for whom the Subscriber is contracting), whether or not the Subscriber (and, if applicable, the beneficial purchaser for whom the Subscriber is contracting) is an insider of the Partnership or a registrant, the number and type of securities purchased, the total purchase price, the exemption relied upon and the date of distribution; or (ii) if the Subscriber (and, if applicable, the beneficial purchaser for whom the Subscriber is contracting) is not an individual, the full name, address and telephone number of a contact person of the Subscriber (and, if applicable, the beneficial purchaser for whom the Subscriber is contracting), whether or not the Subscriber (and, if applicable, the beneficial purchaser for whom the Subscriber is contracting) is an insider of the Partnership or a registrant, the number and type of securities purchased and the total purchase price, the exemption relied upon and the date of distribution.

If it is a resident of or otherwise subject to applicable securities laws of any other province of Canada, the Subscriber (on its own behalf and, if applicable, on behalf of the beneficial purchaser for whom it is contracting) may contact the applicable securities regulator regarding any questions about the indirect collection of personal information by such securities regulators at the respective address and telephone numbers provided in Schedule "G".

SCHEDULE "G" - CONTACT INFORMATION - SECURITIES REGULATORY AUTHORITIES / REGULATORS

Alberta Securities Commission

Suite 600, 250 – 5th Street SW
Calgary, Alberta T2P 0R4
Telephone: (403) 297-6454
Toll free in Canada: 1-877-355-0585
Facsimile: (403) 297-2082

British Columbia Securities Commission

P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Inquiries: (604) 899-6854
Toll free in Canada: 1-800-373-6393
Facsimile: (604) 899-6581
Email: inquiries@bcsc.bc.ca

The Manitoba Securities Commission

500 – 400 St. Mary Avenue
Winnipeg, Manitoba R3C 4K5
Telephone: (204) 945-2548
Toll free in Manitoba 1-800-655-5244
Facsimile: (204) 945-0330

Financial and Consumer Services Commission (New Brunswick)

85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2J2
Telephone: (506) 658-3060
Toll free in Canada: 1-866-933-2222
Facsimile: (506) 658-3059
Email: info@fcnb.ca

Government of Newfoundland and Labrador Financial Services Regulation Division

P.O. Box 8700, Confederation Building
2nd Floor, West Block, Prince Philip Drive
St. John's, Newfoundland and Labrador A1B 4J6
Attention: Director of Securities
Telephone: (709) 729-4189
Facsimile: (709) 729-6187

Government of the Northwest Territories Office of the Superintendent of Securities

P.O. Box 1320
Yellowknife, Northwest Territories X1A 2L9
Attention: Deputy Superintendent, Legal & Enforcement
Telephone: (867) 920-8984
Facsimile: (867) 873-0243

Nova Scotia Securities Commission

Suite 400, 5251 Duke Street
Duke Tower, P.O. Box 458
Halifax, Nova Scotia B3J 2P8
Telephone: (902) 424-7768
Facsimile: (902) 424-4625

Government of Nunavut

Department of Justice
Legal Registries Division
P.O. Box 1000, Station 570
1st Floor, Brown Building
Iqaluit, Nunavut X0A 0H0
Telephone: (867) 975-6590
Facsimile: (867) 975-6594

Ontario Securities Commission

20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
Telephone: (416) 593- 8314
Toll free in Canada: 1-877-785-1555
Facsimile: (416) 593-8122
Email: exemptmarketfilings@osc.gov.on.ca
Public official contact regarding indirect collection of
information: Inquiries Officer

Prince Edward Island Securities Office

95 Rochford Street, 4th Floor Shaw Building
P.O. Box 2000
Charlottetown, Prince Edward Island C1A 7N8
Telephone: (902) 368-4569
Facsimile: (902) 368-5283

Autorité des marchés financiers

800, Square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal, Québec H4Z 1G3
Telephone: (514) 395-0337 or 1-877-525-0337
Facsimile: (514) 873-6155 (For filing purposes only)
Facsimile: (514) 864-6381 (For privacy requests only)
Email: financementdesocietes@lautorite.qc.ca (For
corporate finance issuers);
fonds_dinvestissement@lautorite.qc.ca (For investment fund
issuers)

Financial and Consumer Affairs Authority of Saskatchewan

Suite 601 - 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2
Telephone: (306) 787-5879
Facsimile: (306) 787-5899

Government of Yukon

Department of Community Services
Law Centre, 3rd Floor
2130 Second Avenue
Whitehorse, Yukon Y1A 5H6
Telephone: (867) 667-5314
Facsimile: (867) 393-6251

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