IT'S TIME TO CONSIDER THE ALTERNATIVES.

RESCO
MORTGAGE INVESTMENT CORP

Offering Memorandum
February 26, 2026

OFFERING MEMORANDUM

Date:	February 26, 2026
The Issuer	
Name:	RESCO Mortgage Investment Corporation (the "**Corporation**")
Head Office:	360 Highway 7 East, Unit 28 Richmond Hill, Ontario L4B 3Y7
Phone No.	1-866-737-2611
E-mail address:	info@rescomic.ca
Website:	www.rescomic.ca
Fax No.	905-889-4155
Currently listed or quoted?	**No - These securities do not trade on any exchange or market**
Reporting Issuer?	No
SEDAR filer?	Yes
The Offering	
Securities Offered:	Class "B" preferred shares (the "**Preferred Shares**")
Price per Security:	$10.00 per Preferred Share
Minimum offering:	**There is no minimum. You may be the only purchaser.**
Maximum offering:	1,500,000 Preferred Shares ($15,000,000)
	Funds available under the Offering may not be sufficient to accomplish our proposed objectives.
Minimum Subscription Amount:	The minimum amount a Subscriber must invest is $10,000 with a maximum amount per Subscriber only in limits as permitted pursuant to the Tax Act (as defined herein); the minimum subsequent investment amount per Subscriber is restricted to 500 Preferred Shares ($5,000). The Corporation may accept other amounts in its sole discretion.
Payment Terms:	Direct deposit, certified cheque, money order or bank draft payable to "RESCO Mortgage Investment Corporation"
Proposed Closing Date:	This is a continuous offering. Closings will take place periodically at the Corporation's discretion.
Income Tax Consequences:	There are important tax consequences to these securities. See Item 7 - "Income Tax Consequences and RRSP Eligibility".
Selling Agent:	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 Corporation to repurchase the Preferred Shares from you, but this right is qualified by various factors, including but not limited to the price of the Preferred Shares at the time of repurchase; minimum hold periods of the Preferred Shares; monthly and annual redemption limit restrictions; restrictions based on the liquidity of the Corporation; restrictions based on the maintenance of the Corporation's status as a Mortgage Investment Corporation; and applicable fees if you request the repurchase before the expiry of the minimum hold periods of the Preferred Shares. You might not receive the amount of proceeds that you want.

Since the beginning of the Corporation's current fiscal year, the Corporation has completed repurchase requests resulting in the repurchase of 25% of the number of all Preferred Shares outstanding at the beginning of the fiscal year. As a result, the annual limit noted above has been reached and the Corporation's does not expect to process further repurchase requests until the Corporation's next fiscal year (November 1, 2026).

See Item 5.1. – "*Securities Offered – Terms 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 a right to damages or to cancel the agreement. See Item 12 - "Purchasers' Rights". The Preferred Shares are offered for sale within the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia and Prince Edward Island pursuant to exemptions from the prospectus requirements contained in NI 45-106 and the *Securities Act* (Ontario).

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 9 - "Risk Factors".

TABLE OF CONTENTS

ABOUT THIS OFFERING MEMORANDUM 5
RISKY INVESTMENT 5
CONFIDENTIALITY 5
APPENDICES 6
MARKETING MATERIALS 6
NOTE REGARDING FORWARD-LOOKING STATEMENTS 6
GLOSSARY OF TERMS 8
PURPOSE OF THE OFFERING 10
ITEM 1 USE OF AVAILABLE FUNDS 10
1.1 Funds 10
1.2 Use of Available Funds 10
1.3 Reallocation 11
ITEM 2 BUSINESS OF THE CORPORATION 11
2.1 Structure 11
2.2 Our Business 12
2.3 Development of Business 22
2.4 Long Term Objectives 26
2.5 Short Term Objectives 26
2.6 Insufficient Funds 27
2.7 Material Agreements 27
2.8 Related Party Transactions and Conflicts of Interest 33
ITEM 3 INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS 34
3.1 Compensation and Securities Held 34
3.2 Portfolio Management 35
3.3 Management Experience 36
3.4 Penalties, Sanctions and Bankruptcy 38
3.5 Loans 39
ITEM 4 CAPITAL STRUCTURE 39
4.1 Share Capital 39
4.2 Long Term Debt 39
4.3 Prior Sales 39
ITEM 5 SECURITIES OFFERED 40
5.1 Terms of Securities 40
5.2 Subscription Procedure 44
ITEM 6 REPURCHASE REQUESTS 45
ITEM 7 INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY 46
7.1 Status of the Corporation 47
7.2 Taxation of the Corporation 48
7.3 Taxation of Shareholders 48

7.4 Taxation of Registered Plans 50
ITEM 8 COMPENSATION PAID TO SELLERS AND FINDERS 51
ITEM 9 RISK FACTORS 51
ITEM 10 REPORTING OBLIGATIONS 58
ITEM 11 RESALE RESTRICTIONS 58
11.1 General Statement 58
11.2 Restricted Period – For trades in British Columbia, Alberta, Saskatchewan, Ontario, New Brunswick, Nova Scotia, and Prince Edward Island 58
11.3 Restricted Period – For trades in Manitoba 59
ITEM 12 PURCHASER'S RIGHTS 59
12.1 Two Day Cancellation Right 59
12.2 Statutory Rights of Action in the Event of a Misrepresentation 59
12.3 Investors in Alberta 59
12.4 Investors in British Columbia 60
12.5 Investors in Manitoba 61
12.6 Investors in New Brunswick 62
12.7 Investors in Nova Scotia 63
12.8 Investors in Ontario 64
12.9 Investors in Prince Edward Island 65
12.10 Investors in Saskatchewan 66
ITEM 13 FINANCIAL STATEMENTS 68
DATE AND CERTIFICATE C-1
APPENDIX 1 - SUBSCRIPTION AGREEMENT A1-1

ABOUT THIS OFFERING MEMORANDUM

No action has been or will be taken to permit a public offering of the Preferred Shares 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 Preferred Shares 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 Preferred Shares.

The Preferred Shares will be issued only on the basis of information contained in this Offering Memorandum, including any Marketing Materials, and provided by the Corporation, and no other information or representation has been authorized or may be relied upon as having been authorized by the Corporation. Any subscription for the Preferred Shares 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 Preferred Shares 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 Corporation 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 Preferred Shares. 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 Preferred Shares. 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 Corporation 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 Preferred Shares or the Offering is terminated, to return promptly this Offering Memorandum and all such documents to the Corporation, if so requested by the Corporation.

APPENDICES

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

Appendix "1" – Form of Subscription Agreement

MARKETING MATERIALS

All marketing materials related to each distribution under this Offering Memorandum which are delivered or made reasonably available to a prospective purchaser before the termination of the distribution ("**Marketing Materials**") are incorporated into and form part of this Offering Memorandum.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information in this Offering Memorandum is "forward-looking information" within the meaning of applicable securities laws. Often, but not always, forward-looking information can be identified by the use of words or phrases such as: "expects", "does not expect" or "is expected", "anticipates" or "does not anticipate", "plans" or "planned", "estimates" or "estimated", "projects" or "projected", "forecasts" or "forecasted", "believes", "intends", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or states that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. In particular, this Offering Memorandum contains forward-looking information pertaining to the following:

- estimated Offering costs and commissions payable;
- the Corporation's use of proceeds from the Offering;
- business development plans and estimated timing;
- business strategy, plans, and investment policies;
- other expectations, beliefs, plans, goals, objectives, assumptions, information;
- statements about possible future events, conditions, results of operations or performance;
- the payment of dividends on the Preferred Shares;
- ability to exercise redemption and retraction rights associated with the Preferred Shares;
- ability to pay the Management Fees and expenses of the Corporation from cash provided by the Corporation's operations;
- the Corporation's status as a MIC under the Tax Act;
- the Manager's status under applicable Mortgage Broker Legislation;
- eligibility of the Preferred Shares for investment in Registered Plans;
- the Corporation's use of debt financing;
- the Corporation's intention not to retract Preferred Shares for the remainder of the current fiscal year ending October 31, 2026.

The forward-looking statements contained in this Offering Memorandum are based on a number of assumptions, including without limitation those relating to: the completion of the Offering; the ability of the

Corporation to acquire and maintain a mortgage portfolio capable of generating the necessary annual yield or returns to enable the Corporation to achieve its investment objectives; expectations regarding the composition of the mortgage portfolio; the ability of the Corporation to establish and maintain relationships and agreements with key strategic partners; assumptions about the lending practices of large financial institutions in Canada; interest rates; the ability of mortgagors to service their obligations under the mortgages underwritten by the Corporation; maintenance by the Manager and Administrator of applicable licenses and registrations; the availability of debt financing to the Corporation; and general economic conditions. Although the forward-looking information contained in this Offering Memorandum is based upon assumptions which management of the Corporation believes to be reasonable, the Corporation cannot assure investors that actual results will be consistent with this forward-looking information.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. A number of factors, many of which are beyond the control of the Corporation, could cause actual results to differ materially from the results discussed in the forward-looking information. Material risk factors include, but are not limited to: the risks of the competition within the Corporation's business; the risk of international, national and regional economic conditions; the uncertainty of estimates and projections relating to the real estate industry; fluctuations in interest rates; uncertainties as to the availability and cost of financing and changes in capital markets; changes in general economic and business conditions; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; uncertainties with respect to the Corporation's classification under the Tax Act; and the Corporation's ability to implement its business strategy. Readers are cautioned that the foregoing list of risk factors is not exhaustive. Additional information on these and other factors that could affect the Corporation's operations or financial results are included under the heading "Risk Factors" in this Offering Memorandum.

Although the Corporation has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking statements. Forward-looking statements contained herein are made as of the date of this Offering Memorandum, and the Corporation disclaims any obligation to update or revise forward-looking statements, except as required by law.

The forward-looking statements contained in this Offering Memorandum are expressly qualified by the foregoing cautionary statements. Prospective investors should thoroughly review this Offering Memorandum and are advised to consult with their own legal and tax advisors concerning this investment.

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GLOSSARY OF TERMS

In this Offering Memorandum (including the face page hereof), unless the context otherwise requires, the following words and terms and abbreviations have the following meanings:

"**Administrator**" means 5C Capital Inc.

"**Administration Agreement**" means the agreement between the Corporation, the Manager, and the Administrator, dated and effective November 21, 2013, as amended from time to time.

"**Administration Fee**" means the fee payable by the Manager to the Administrator pursuant to the Administration Agreement.

"**Board**" means the board of directors of the Corporation.

"**Business Day**" means a day which is not a Saturday, Sunday or statutory holiday in the City of Toronto, in the Province of Ontario.

"**CBCA**" means the *Canada Business Corporations Act*, RSC 1985, c C-44, as amended.

"**CRA**" means the Canada Revenue Agency.

"**Closing**" or "**Close**" means completion of an Offering pursuant to this Offering Memorandum. The Corporation may have more than one closing, at the Corporation's sole discretion.

"**Common Shares**" means the class "A" common shares of the Corporation.

"**Corporation**" means RESCO Mortgage Investment Corporation, a corporation incorporated and existing under the CBCA.

"**Credit Facility**" means the revolving demand credit facility of up to $50,000,000 established in favour of the Corporation pursuant to a credit agreement dated December 20, 2022 between the Corporation and a Schedule I Canadian bank, as amended from time to time.

"**Dividend Share**" has the meaning given to such term in Item 5 – "Securities Offered – Terms of Securities – Dividend Policy and Reinvestment Plan".

"**Exempt Market Dealer**" means a person or company registered as an exempt market dealer pursuant to NI 31-103.

"**Finder Fee**" means a finder fee paid to a finder in connection a referral of a Subscriber to this Offering. See Item 8 – "Compensation Paid to Sellers and Finders".

"**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.

"**Manager**" means Radiance Mortgage Brokerage Inc.

"**Management Agreement**" means the management agreement between the Corporation and the Manager dated and effective November 21, 2013, as amended from time to time.

"**Management Fee**" means the fee payable by the Corporation to the Manager pursuant to the Management Agreement.

"**MIC**" means a "mortgage investment corporation" as defined under the Tax Act.

"**Mortgage Broker Legislation**" means the MBLAA, and other similar legislation in other provinces and territories of Canada where the Corporation carries on business in force from time to time.

"**MBLAA**" means the *Mortgage Brokerage, Lenders and Administrators Act, 2006* (Ontario), SO 2006, c 29, as amended.

"**NI 31-103**" means National Instrument 31-103 – "*Registration Requirements, Exemptions and Ongoing Registrant Obligations*".

"**NI 45-106**" means National Instrument 45-106 *Prospectus Exemptions*.

"**Offering**" means the offering of the Preferred Shares by this Offering Memorandum.

"**Offering Memorandum**" means this offering memorandum of the Corporation, as the same may be amended, supplemented or replaced from time to time.

"**Preferred Shares**" means the class "B" preferred shares in the capital of the Corporation.

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

"**Registered Plan**" means a trust governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a registered education savings plan ("**RESP**"), a registered disability savings plan ("**RDSP**"), a tax-free savings account ("**TFSA**"), a deferred profit sharing plan ("**DPSP**") each as defined in the Tax Act.

"**Regulation**" means a regulation promulgated pursuant to the Tax Act.

"**RESCO LP**" means RESCO First Mortgage Fund LP.

"**Shareholders**" means at any time the persons who are the holders of record at that time of one or more Preferred Shares, as shown on the registers of such holders maintained by the Corporation.

"**Subscriber**" means a person who subscribes for Preferred Shares pursuant to the Offering.

"**Subscription Agreement**" means a subscription agreement to be executed by each investor providing for the purchase by such investor of Preferred Shares.

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.), as amended, and the regulation thereunder.

"**Tax Proposals**" means all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

"**Waverley**" means Waverley Corporate Financial Services Ltd.

"**Windstar**" means Windstar Equities Ltd.

PURPOSE OF THE OFFERING

The purpose of this offering is to provide investors with the opportunity to subscribe for Preferred Shares. The Corporation is a "mortgage investment corporation" for purposes of the Tax Act. The Corporation will, in computing its taxable income, generally be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the Corporation in computing its income for the preceding year. Dividends other than capital gains dividends, which are paid by the Corporation on the Preferred Shares to Shareholders will be included in Shareholders' incomes as interest.

The Preferred Shares will be qualified investments for a trust governed by a RRSP, RRIF, TFSA, RESP, RDSP, or a DPSP (collectively, "**Registered Plans**"), at a particular time, if the Corporation qualifies as a MIC under the Tax Act and meets such other requirements as are described in Item 7 - "Income Tax Consequences and RRSP Eligibility".

ITEM 1 USE OF AVAILABLE FUNDS

1.1 *Funds*

The following table discloses the net proceeds of the Offering and the funds that will be available to the Corporation after the Offering.

		Assuming minimum offering(1)	**Assuming maximum offering(2)**
A	Amount to be raised by this Offering	$0	$15,000,000
B	Selling commissions and fees(3)	$0	$750,000
C	Estimated offering costs (e.g., legal, accounting, audit)	$10,000	$75,000
D	Available funds: D = A – (B + C)	$0	$14,175,000
E	Additional sources of funding required	$0	$0
F	Working capital deficiency	$0	$0
G	Total: G = (D + E) – F	($10,000)	$14,175,000

Notes:

(1) There is no minimum offering.

(2) The maximum offering is 1,500,000 Preferred Shares.

(3) Assumes aggregate selling commissions of 5% are paid on all Preferred Shares sold. The Corporation may pay cash commissions or referral fees of up to 5% in the aggregate to any one of, or a combination of, Registered Dealers and qualified finders who refer Subscribers to the Corporation. See Item 8 – "Compensation Paid to Sellers and Finders".

1.2 *Use of Available Funds*

Based on its present plans and present business conditions, the Corporation expects to use the funds available from the Offering as estimated in Item 1.1 "*Funds*" as follows:

Description of intended use of available funds listed in order of priority	**Assuming minimum offering**	**Assuming maximum offering**
Invest in mortgages as described under Item 2 - "Business of the Corporation"(1)(2)(3)	$0	$14,139,650
Estimated general and administrative expenses(4)(5)	$0	$35,350
Total	$0	$14,175,000

Notes:

(1) 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 Corporation, including for mortgage investments. See Item 2.2 – "Our

Business – Capital Resources". Alternatively, the Corporation may deposit such funds in short-term deposits, savings accounts or government guaranteed investment certificates.

(2) The Corporation will pay to the Manager a Management Fee of up to 1.50% per annum of the book value of the performing mortgages of the Corporation, calculated and paid monthly, inclusive of the Administration Fee payable by the Manager to the Administrator. The Management Fee is subject to periodic adjustment. As of the date of this Offering Memorandum, the Management Fee payable by the Corporation is 0.75% per annum of the book value of its performing mortgages, calculated and paid monthly, inclusive of the Administration Fee payable by the Manager to the Administrator. See Item 2.7 – "Material Agreements – Management Agreement". The Corporation expects to pay the Management Fee from revenue generated by from investments in mortgages. However, the Corporation may use the available funds from the Offering to pay the Management Fee if such revenues are insufficient. Certain directors, officers, and principal shareholders of the Corporation are the directors, officers, and principal shareholders of the Manager. See Item 3 – "Interests of Directors, Management, Promoters and Principal Holders".

(3) The Manager will pay to the Administrator an Administration Fee of up to 0.50% per annum of the book value of the performing mortgages of the Corporation, calculated and paid monthly. The Administration Fee is subject to periodic adjustment. As of the date of this Offering Memorandum, the Administration Fee payable by the Manager is 0.25% per annum of the book value of its performing mortgages, calculated and paid monthly. See Item 2.7 – "Material Agreements – Administration Agreement". Certain directors, officers, and principal shareholders of the Corporation are the directors, officers, and principal shareholders of the Administrator. See Item 3 – "Interests of Directors, Management, Promoters and Principal Holders".

(4) The Corporation estimates that its general and administrative expenses will be 0.25% per annum of the gross assets of the Corporation. The Corporation expects to pay its general and administrative expenses from revenue generated from investing in mortgages. However, the Corporation may use the available funds from the Offering to pay its general and administrative expenses if such revenues are insufficient.

(5) Represents estimated general and administrative expenses expected to be incurred in respect of mortgage investments of $14,175,000 for one year.

1.3 *Reallocation*

The Corporation intends to spend the available funds as stated. However, there may be circumstances where a reallocation of funds may be necessary. Funds will only be reallocated for sound business reasons related to the business activities of a MIC as defined under the Tax Act.

ITEM 2 BUSINESS OF THE CORPORATION

2.1 *Structure*

The Corporation

The Corporation was incorporated under the name "RESCO Mortgage Investment Corporation" on November 21, 2013 under the CBCA. The Corporation has no subsidiaries. The Corporation's head office and registered office is 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7.

Manager

The Manager, Radiance Mortgage Brokerage Inc., is an Ontario corporation, with its head office located at 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7. The Manager is licensed as a mortgage broker in Ontario. The Corporation has appointed the Manager to act as the Corporation's mortgage broker, and to manage the investments of the Corporation pursuant to the Management Agreement. See Item 2.7 – "Material Contracts".

Administrator

The Administrator, 5C Capital Inc., is an Ontario corporation, with its head office located at 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7. The Administrator is licensed as a mortgage administrator in Ontario and British Columbia, and a mortgage broker in Manitoba and British Columbia. The Corporation and the Manager have engaged the Administrator to provide mortgage administration services in respect of its mortgage portfolio.

2.2 *Our Business*

The Corporation is a "mortgage investment corporation" within the meaning of the Tax Act. It is in the business of investing in loans that are secured by mortgages, primarily on residential real estate properties located in Ontario, Manitoba and British Columbia. To the extent that available funds are not invested in mortgages, such funds will generally be invested in short-term deposits, savings accounts or government guaranteed investment certificates. The Corporation's investments will be made in accordance with its investment policies from time to time. See "– Types of Mortgages", "– Investments of the Corporation", "– Mortgage Selection Process", and "– Investment Restrictions, Policies and Guidelines" below. For more information about the size and composition of the Corporation's mortgage portfolio, see Item 2.3 – "Development of the Business".

General

The Corporation has been created to acquire and maintain a portfolio of mortgages that preserves capital and generates sustainable and stable returns for individual and institutional shareholders. To achieve these investment objectives, the Corporation will use the net proceeds of the Offering to make prudent investments in loans secured by real property in Canada in accordance with the Corporation's investment guidelines.

Management believes that MICs are better positioned to provide tailored solutions to borrowers than most traditional lenders because they are not subject to the strict lending guidelines generally associated with chartered banks and other traditional lenders. In management's experience, this allows MICs to complete the structuring, due diligence and funding of loans within a shorter timeframe than most chartered banks and traditional lenders. The demand for private mortgages has recently increased due to federal regulatory changes aimed at tightening mortgage lending rules for major financial institutions. Management believes that this creates an opportunity for the Corporation to underwrite mortgage loans with a targeted yield of 7.2% per annum to holders of Preferred Shares, net of the Corporation's fees and expenses.

The Corporation does not employ resources to actively seek or originate mortgages for investment, and it relies exclusively on the expertise of the Manager to provide mortgage investment opportunities, and the Administrator for the day-to-day management and administration of its mortgage portfolio. To the extent that the Corporation's funds are not invested in its mortgage portfolio, such funds will be held an interest-bearing account at a Schedule I bank so that the Corporation maintains a level of working capital for its ongoing operations considered acceptable by the directors of the Corporation. See Item 2.2 – "Our Business – Investment Restrictions, Policies and Guidelines".

The Manager will work to develop and implement all aspects of the Corporation's marketing and distribution strategies, will manage the ongoing business and administration of the Company and will monitor the investment portfolio of the Corporation. The terms and conditions of the Management Contract set out this relationship and require the Manager to observe and comply with the Corporation's investment policies and criteria and all laws that apply to the Corporation, its investments and its securities.

The Manager and Administrator have personnel with substantial experience and expertise across various industries such as real estate development, mortgage lending, accounting, legal, risk protection, financial planning and banking. The Corporation is confident that this wealth of experience and qualifications make the Manager and the Administrator suitable candidates for managing and administering the Corporation effectively by identifying suitable investment opportunities, managing and minimizing risk while at the same time providing favourable and consistent rates of return for holders of Preferred Shares.

Regulatory Regime and Licensing

Each province in Canada has enacted legislation to govern the mortgage broker industry. In each province, individuals, corporations, partnerships and sole proprietorships that deal, trade in, or act as administrators of mortgages are required to register under applicable mortgage brokerage legislation. The Corporation is not licensed as a mortgage broker or administrator under Mortgage Brokerage Legislation in any other province. Accordingly, the Corporation conducts its business under contract with licensed mortgage brokers and administrators, such as the Manager and the Administrator. A mortgage brokerage and its principal broker must obtain a brokerage and a broker license, respectively, issued under provincial Mortgage Brokerage Legislation by the applicable provincial regulatory body. The Manager, which performs mortgage brokerage services pursuant to the Management Agreement, and the

Administrator, which performs mortgage servicing and administrative services pursuant to the Administration Agreement, either hold a valid license with each applicable provincial regulatory body to permit it to carry on the activities contemplated in the Management Agreement and Administration Agreement, respectively, or carry such activities under contract with third parties that are duly licensed under applicable Mortgage Brokerage Legislation.

Each provincial regulatory body with which the Manager and the Administrator are licensed has broad authority over the mortgage brokerage and administration industry, including the power to grant, renew, revoke, and attach conditions to licenses, to investigate complaints made regarding the conduct of registered mortgage brokerages, brokers, agents and administrators, and to impose penalties. Under the applicable Mortgage Brokerage Legislation of each province, there are several requirements a mortgage brokerage, broker, agent or administrator must meet in order to obtain or renew a license. The Mortgage Brokerage Legislation of each province also imposes a continuing obligation on a registered mortgage broker and agent to remain in compliance with applicable legislation, failing which the applicable provincial regulatory body may revoke a license.

Generally, a mortgage brokerage or administrator will not be granted a license or a renewal of a license if, having regard to the financial position of the mortgage brokerage or administrator, it could not reasonably be expected that the mortgage brokerage or administrator would be financially responsible in the conduct of its business. In addition, a license will not be granted or renewed if the past conduct of the applicant is such that it provides reasonable grounds for the applicable provincial regulatory body to believe that the mortgage brokerage or administrator will not conduct business legally and with integrity and honesty. In the case of a corporate mortgage brokerage or administrator, the applicable provincial regulatory body will look to the past conduct of the directors and officers of the corporation.

The Tax Act's MIC Criteria

The Corporation qualifies as a "mortgage investment corporation" or "MIC" for the purposes of the Tax Act. Under the Tax Act, a MIC is allowed to deduct dividends that are paid from income. The Corporation intends to pay out all of its income and net realized capital gains as dividends within the time period specified in the Tax Act and as a result does not anticipate paying any income tax.

Section 130.1 of the Tax Act sets out the criteria governing a MIC, and in summary says that in order to qualify as a MIC for a taxation year, a company must have met the following criteria throughout the taxation year:

(a) Its only undertaking was the investing of its funds and it did not manage or develop any real estate.

(b) It did not invest in:

  (i) mortgages or property outside Canada;

  (ii) shares of companies not resident in Canada; or

  (iii) real property or leasehold interests outside Canada.

(c) It had at least 20 shareholders, and no one shareholder together with related parties to that shareholder held between them more than 25% of the issued shares of any class of shares of the company.

(d) At least 50% of the cost amount of company's assets must be comprised of:

  (i) loans secured on houses or on property included in a housing project, as those terms are defined in the *National Housing Act* (Canada);

  (ii) deposits insured by the Canada Deposit Insurance Corporation (CDIC) (or Quebec DIC);

  (iii) deposits in a credit union; or

  (iv) cash.

(e) No more than 25% of the cost amount of the company's assets consisted of real property (excluding any real property acquired by foreclosure).

(f) The company did not exceed, generally speaking, a 3:1 debt-equity ratio, or a 5:1 ratio if more than two-thirds or more of the company's property consists of residential mortgages and/or deposits secured by the CDIC (or Quebec DIC) or in a credit union.

See Item 7 – "Income Tax Consequences and RRSP Eligibility".

Types of Mortgages

The Corporation's mortgage portfolio consists mainly of loans secured by first or second mortgages, as well as demand loans such as bridge loans and term loans that are secured by real property. The Corporation may also invest, in exceptional cases, in commercial mortgages and third mortgages. However, these are not the Corporation's primary investment focus.

The following lists the types of properties that the Corporation intends to target for investment:

1. Residential detached and semi-detached homes;
2. Residential townhouse or high-rise condominiums;
3. Multi-family residential properties;
4. Mixed-use properties; and
5. Commercial properties including condominium properties.

The following lists the type of properties that the Corporation considers unacceptable as security:

1. Co-operative Housing;
2. Mobile Homes;
3. Leased Land; and
4. Raw land.

Investments of the Corporation

To maintain a stable yield on its mortgage portfolio, the Corporation will manage risk through maintenance of a diversified mortgage portfolio, conservative underwriting and diligent mortgage servicing.

Mortgage Investments

The Corporation, through the Manager, or its nominee, will invest primarily in first or second mortgages. Such mortgages may be new loans originated by the Manager, or existing mortgages acquired by the Corporation from third parties on the advice of the Manager.

Such mortgages will typically fall into the following major loan categories:

(a) ***Residential Mortgages*** – means mortgages principally secured by mortgage registrations on residential property titles. This can either be conventional (80% LTV) or high ratio mortgages. High ratio mortgages will not exceed an LTV of 85% at the time of the loan application. This type of loan is usually advanced to borrowers to assist with the purchase or refinancing of a residential property.

(b) ***Equity or Equity Take-out Mortgages*** – means mortgages used to liquidate the equity in a property. It can be used for various purposes such as investments, renovations, down payment for a different property, etc. In most cases, these are usually second or third position mortgages.

(c) ***Commercial Mortgages*** – means mortgages that are principally secured by multi-family housing projects, residential land developments and income-producing properties that have retail, commercial, service, office and/or industrial uses.

Mortgages generate income through a rate of interest, which is typically payable periodically through the terms of the mortgages, and through one-time fees ("**Lender Fees**") paid by a borrower to the Manager in return for obtaining a mortgage financing. The interest rates applicable to the Corporation's mortgages are not tied to the prime lending rate of the Bank of Canada. Interest is often being set based on the overall risk profile of the mortgage application and the demand of private mortgages. In general, the Corporation invests in mortgages that bear interest at a rate of 9% to 12% per annum, have a one or two-year term, and which require monthly interest-only mortgage payments, with the principal amount due upon maturity. Interest is often set at a fixed rate or at a floating rate based on a margin over the prime lending rate of the Corporation's bank, sometimes with a minimum specified rate. In general, the Manager charges a Lender Fee of approximately 3% for arranging a mortgage financing commitment from the Corporation. Such Lender Fees are determined by the Manager in its sole discretion, and are generally retained by the Manager as its sole property, except under limited circumstances described in "– Syndicated Mortgages" below.

Syndicated Mortgages

The Corporation may purchase interests in syndicated mortgages in which it will participate with one or more lenders. Syndication may be on a *pari passu* basis or on a subordinated basis. Participating in syndicated mortgages reduces the Corporation's investment and corresponding exposure in any one mortgage investment. It will also enable the Corporation to participate in the financing of larger real estate projects than would otherwise be possible.

In some cases, the Corporation may participate in syndicated mortgages that bear lower interest rates than typical mortgages in the Corporation's portfolio, but which are subject to a higher Lender Fee. The Manager may agree to pay a portion of the Lender Fees received in connection with such mortgages to the Corporation. Conversely, the Corporation may participate in mortgages at interest rates higher than those ordinarily charged by the Manager, but subject to a lower Lender Fee. The Corporation may pay a portion of the interest payments that it receives from the borrower in connection with such mortgages to the Manager.

Non-Mortgage Investments

In order to qualify as a MIC under the Tax Act, during any tax year, the cost amount for tax purposes to the Corporation of its property represented by debts secured on "houses" or on property included within a "housing project" (as those terms are defined in the *National Housing Act* (Canada)), together with cash on hand and deposits with a bank or any other corporation whose deposits are insured by the Canada Deposit Insurance Corporation or a credit union, must have constituted at least 50% of the cost amount to the Corporation of all of its property during that tax year. See Item 7 – "Income Tax Consequences and RRSP Eligibility". Accordingly, the Corporation is permitted to invest in instruments other than mortgages, such as including but not limited to promissory notes, debentures or other such securities. These non-mortgage investments may or may not be secured and may carry a greater risk than investing in mortgages. The Corporation does not hold, and does not intend to invest in, any such non-mortgage investments.

Mortgage Selection Process

The Corporation invests in a mortgage based upon the assessment of the 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 and, in the case of commercial mortgages, on prospects for income. In addition, the credit of the borrower will also be reviewed and, where appropriate, personal covenants will be obtained.

In considering a mortgage proposal the 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 Administrator and the 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. For commercial mortgages the Corporation will require at least a Phase I Environmental Audit of the property in addition to an independent appraisal completed by a certified appraiser with the designation of A.A.C.I.; and

5. When applicable, the Corporation 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 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 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, environmental, building condition assessment and geotechnical appraisals, and quantity surveyor reports); rent rolls, leases, and estoppel certificates, and other documents. The Manager will review the results of due diligence and make a lending decision.

Upon approval by the Manager of a mortgage opportunity, the Corporation will appoint legal counsel to conduct the required enquiries and searches, prepare legal documents and obtain title insurance. The Manager may obtain advice from an insurance consultant whether the current and/or proposed insurance coverage is adequate. The Manager may also obtain reliance letters from various consultants who provided reports concerning the transaction. The Administrator then advances funds for the mortgage to legal counsel on behalf of the Corporation. 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 Administrator assumes day-to-day administration of the mortgage.

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

Investment Restrictions, Policies and Guidelines

The Corporation has engaged the 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 Corporation, in consultation and upon notice to the Manager, to revise the following restrictions from time to time, the Corporation has established certain restrictions on investments that may be made by it as follows:

1. The Corporation's only undertaking will be to invest the Corporation's funds in accordance with its investment objectives, strategies and restrictions, all in compliance with the requirements of the Tax Act applicable to a MIC;

2. The Corporation will not make any investment or conduct any activity that would result in the Corporation failing to qualify as a "mortgage investment corporation" within the meaning of the Tax Act;

3. No more than 5% of the Corporation's capital will be invested in third mortgages;

4. No more than 20% of the Corporation's capital will be invested with any one borrower;

5. No more than 20% of the Corporation's capital will be invested in any single mortgage investment; and

6. No more than 30% of the Corporation's capital will be invested in mortgages on commercial or mixed-use properties.

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

The following conditions will apply to loans made by the Corporation or by the Manager on its behalf:

1. The maximum 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 Corporation will lend up to a certain percentage of the value of a particular property as established by an appraisal or an opinion of value.

2. For residential properties, the Corporation will lend up to 85% LTV. Any loan advances representing in excess of 80% LTV shall be on select real estate in select locations.

3. For commercial and mixed-use mortgages, the Corporation will lend up to 75% LTV.

4. When not invested in mortgages, excess funds will 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 1 or schedule 2 Canadian chartered bank; targets holding a cash or near cash position equal to less than 5% of its total assets, all in compliance with the provisions of the Tax Act.

5. Mortgage repayment schedules will consist primarily of interest-only monthly payments.

6. Although the term of any single mortgage may be longer, mortgage terms will generally be two years or less.

7. Mortgage investments will be denominated in Canadian Dollars.

8. Following funding, all of the Corporation's mortgages will be registered on title to the subject property in the name of RESCO Mortgage Investment Corporation, or a nominee bare trustee on behalf of the Corporation.

9. In order to renew or extend a mortgage loan, the Corporation 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 85% of the most recent valuation of the property.

10. Mortgages in which the Corporation invests may contain clauses permitting the mortgagor, when not in default, to renew the mortgage for additional terms at the sole discretion of the Manager.

11. Notwithstanding any loan-to-value limits stated herein or other general underwriting criteria outlined above, for risk management purposes only, the Corporation may increase a given investment of the Corporation's capital in order to remedy the default by a borrower of its obligations in respect of a prior ranking security, or to satisfy the indebtedness secured by a prior ranking security, or for any other reason if such action is required to protect the Corporation's security position in a particular investment provided such proposed increases in the Corporation's investment are approved by the Manager.

12. The Corporation will not invest for the purpose of exercising control over management of any company or other entity.

13. The Corporation will not make short sales of securities or maintain a short position in any securities.

In dealing with a default by a borrower of a mortgage within the Corporation's portfolio, the investment policies and practices may change upon taking into consideration certain factors, including but not limited to, the following:

1. where the change assists the borrower to remedy a default on a mortgage which may result in an improved position for the Corporation and/or avoiding power of sale, foreclosure or bankruptcy. This may involve the Corporation receiving additional collateral, lengthening the term of the loan, providing additional lending necessary to sell the property at its best price, rescheduling repayments, or any number of negotiated terms and conditions; and

2. where the change assists in mitigating losses that may occur in the power of sale or foreclosure process which is in the best interest of the Corporation, resulting in a new mortgage for the Corporation with a new borrower to finance the purchase of the real property with flexible terms at the fair market price.

The Corporation, 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 Corporation'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 Management.

Risk Mitigation

The Corporation's mortgage portfolio primarily contains loans secured by first or second mortgages on residential properties. To mitigate the concentration risk, the Corporation 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 Corporation maintains a geographically diversified portfolio. The Corporation's portfolio currently includes mortgages in Manitoba and Ontario. Within Ontario, the Corporation has made mortgage loans in markets across Southwestern Ontario, including the Greater Toronto Area, Guelph, Kitchener, Waterloo, and London.

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

The Corporation'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 assess the risks associated with mortgage applications is to calculate the LTV. The higher the LTV, the greater the risk for the lender. In order to establish an accurate LTV, the Corporation requires each applicant for a mortgage to provide 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 Corporation. To further validate the appraised value and ensure the value is not overstated, the Corporation 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 Corporation practices conservative underwriting, especially for the Greater Toronto Area, where the Corporation makes a significant proportion of its mortgage loans. While the Corporation will make loans in amounts up to 85% LTV, the Corporation has recently decreased the portfolio by approving loans with lower LTV ratios. As of the date of this Offering Memorandum, the Corporation's average LTV for residential mortgages is in the low 70s.

To further minimize risk, the majority of the Corporation's approved mortgages are short-term, between six months to one year, 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. As of the date of this Offering Memorandum, 100% of the Corporation's residential mortgage portfolio have a maturity term of two years or less.

Capital Resources

Section 130.1 of the Tax Act authorizes a MIC to borrow funds in certain ratios related to the type of assets held. Provided that one-half of the MIC's assets comprise a combination of residential mortgages and/or CDIC insured investments, the MIC is authorized to borrow up to a maximum of three times the amount of its equity. Provided that two-thirds of the MIC's assets comprise a combination of residential mortgages and/or CDIC insured investments, the MIC is authorized to borrow up to a maximum of five times the amount of its equity. The Preferred Shares are considered equity for these purposes.

The Corporation intends to finance its activities primarily through the issuance of Preferred Shares pursuant to the Offering, and from revenues derived from its investments in mortgages. However, the Corporation may employ debt financing as permitted by the Tax Act where such financing is available, and it is economical and prudent to do so, provided that the Corporation is satisfied that that such debt financing is in the best interests of the Corporation, and is likely to enhance the Corporation'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 Corporation, and in the event of liquidation or wind-up, they will be repaid prior to any distribution or return of capital to the holders of equity interests in Corporation, including the Preferred Shares.** See Item 9(b)(v) under Item 9 – "Risk Factors".

The Corporation entered into an agreement dated December 20, 2022 with a Schedule I Canadian bank, as amended from time to time, which provides for the Credit Facility pursuant to which the Corporation may borrow and re-borrow up to $50,000,000. The funds in the Credit Facility may be drawn by the Corporation as a revolving Prime Rate loan bearing interest at the lender's prime rate plus 0.90%, and/or as one or more CORRA (Canadian Overnight Repo Rate Average) loans with terms of 30 or 90 days. The interest rate of each CORRA loan is fixed at CORRA on the loan advancement date plus 2.55%. The outstanding borrowings under the Credit Facility may not exceed a specified percentage of the Corporation's receivables under certain mortgages on residential properties. Amounts outstanding under the Credit Facility are repayable on demand, and the Corporation's obligations under the Credit Facility will be secured by all personal property of the Corporation, including the Corporation's mortgage portfolio. The Corporation 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 Corporation, the Corporation's creditors (including its lender in connection with the Credit Facility) will be repaid prior to any distribution or return of capital to the holders of equity interests in Corporation, including the Preferred Shares.

Subject to compliance with the provisions of the Tax Act applicable to a MIC, the Corporation 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 Corporation 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 Corporation's outstanding indebtedness may be re-advanced to the Corporation as and when required. The Credit

Facility provides the Corporation with flexibility to fund mortgage loans, as well as operating expenses, dividend distributions, and redemptions of Preferred Shares between closings under the Offering.

From time to time, a portion of the Corporation's funds may be held in cash deposited with a Canadian chartered bank or will be invested in short term deposits, saving accounts or government guaranteed income certificates so that the Corporation maintains a level of working capital for its ongoing operations considered acceptable by the directors of the Corporation, all in accordance with the provisions of the Tax Act.

Co-Investment with Related Lender

RESCO First Mortgage Fund LP ("**RESCO LP")** is a limited partnership formed under the laws of the Province of Ontario on December 10, 2019. It commenced raising funds pursuant to offerings of its units on February 2020. RESCO First Mortgage Fund GP Corp. is the general partner of RESCO LP.

RESCO LP is a related party to the Corporation because the shareholders, directors, and officers of RESCO First Mortgage Fund GP Corp. are also shareholders, directors, and officers of the Corporation.

RESCO LP carries on business as a private mortgage lender as the Corporation does, but the lending objectives and guidelines of the Corporation differ from those of the RESCO LP. Whereas the Corporation 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, RESCO LP intends to lend exclusively on residential first mortgages of LTVs up to 75%.

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

The Corporation may purchase for its own account and own a percentage interest in any investment held by the RESCO LP. The Corporation may from time to time hold a subordinate portion in any mortgage which is presented to RESCO LP for investment, and the rate of return on such a subordinate portion may vary from RESCO LP's rate of return due to the differing LTV risk assumed by the Corporation. The Corporation will not make any investment described in this paragraph unless the opportunity has first been presented to RESCO LP, if applicable, and RESCO LP has declined all or a portion of the available investment.

Management Fees and Expenses

The Corporation pays for all expenses it incurs, and that the Manager and Administrator incur on its behalf, in connection with the operation and management of the Corporation. These expenses will include, without limitation: (a) financial reporting costs, mailing and printing expenses for periodic reports to Shareholders and other Shareholders communications including marketing and advertising expenses; (b) any taxes payable by the Corporation; (c) costs and fees payable to any agent, legal counsel, accountant or other third party service provider; (d) ongoing regulatory filing fees, licence fees, as applicable, (e) any expenses incurred in connection with any legal proceedings in which the Manager participates on behalf of the Corporation or any other acts of the Manager or any other agent of the Corporation in connection with the maintenance or protection of the property of the Corporation, including, without limitation, costs associated with the enforcement of mortgages; (f) any fees, expenses or indemnity payable to, and expenses incurred by, independent directors of the Corporation; and (g) any additional fees payable to the Manager or the Administrator for performance of extraordinary services on behalf of the Corporation. The costs of extending a mortgage loan (for example, legal expenses, third party consultants, insurance, administrative fees, etc.) are generally paid by the borrower in the loan transaction.

Management Fee

In consideration for providing mortgage brokerage, portfolio management, and general management and administrative services to the Corporation, the Manager shall receive from the Corporation a management fee (the "**Management Fee**") of up to 1.50% per annum of the book value of the performing mortgages of the Corporation,

calculated and paid monthly, inclusive of the Administration Fee payable by the Manager to the Administrator. The Management Fee is subject to periodic adjustment. As of the date of this Offering Memorandum, the Management Fee payable by the Corporation is 0.75% per annum of the book value of its performing mortgages, calculated and paid monthly, inclusive of the Administration Fee payable by the Manager to the Administrator.

In addition to the Management Fee, the Manager is entitled to retain all charges, origination fees, brokers fees, Lender Fees, commitment fees, extension fees, renewal fees, and similar other fees to borrowers with respect to mortgages in the mortgage portfolio. In general, such fees shall be and remain the sole property of the Manager. However, in some instances where the Corporation participates in a loan which has a low interest rate but bears a higher Lender Fee, the Manager may pay a portion of the Lender Fees that it receives to the Corporation. In some instances where the Corporation participates in a loan which has a higher interest rate but a low Lender Fee, the Corporation may pay a portion of the interest earned in connection with such loans to the Manager in addition to the Management Fee. See Item 2 – "Business of the Corporation – Our Business – Investments of the Corporation" and "– Material Agreements – Management Agreement". Under the Management Agreement, the Manager is responsible for all of its costs and operating expenses.

Administration Fee

In consideration for the administration services provided by the Administrator to the Corporation, the Manager pays to the Administrator a fee (the "**Administration Fee**") of up to 0.50% per annum of the book value of the performing mortgages of the Corporation, calculated and paid monthly. The Administration Fee is subject to periodic adjustment. As of the date of this Offering Memorandum, the Administration Fee payable by the Manager is 0.25% per annum of the book value of its performing mortgages, calculated and paid monthly.

In addition to the Administration Fee, the Administrator is entitled to retain all NSF fees, advance fees, discharge fees, late payment fees, and other administration fees. Under the Administration Agreement, the Administrator is responsible for all of its costs and operating expenses.

Dividends

The Corporation aims to pay dividends on the Preferred Shares equal to 7.2% per annum, calculated and payable monthly. Any dividend payment is at the discretion of the Board, and dividends will only be declared by the Board from time to time where the Board has determined, in its sole discretion, that the profits and available cash of the Corporation can support such dividend payment. See Item 5 – "Securities Offered – Terms of Securities – Dividend Policy and Reinvestment Plan".

The Corporation's primary source of revenue is interest payments from mortgage investments. The net profits of the Corporation, generally the revenue generated from mortgage investments after deducting fees and operating expenses, are paid to investors in Preferred Shares as dividends. Net profits in excess of the amount required for payment of an 7.2% dividend to the holders of Preferred Shares are held in a reserve fund. The Corporation uses this reserve to fund consistent distributions to investors at times in months where the net profits from the Corporation's investments are insufficient to pay an 7.2% dividend, and to cover any potential credit losses arising from loan defaults to protect investors' investment principal.

Since the Corporation funds dividends through revenues earned on its mortgage investments. Consequently, the Corporation's financial performance, and consequently, its ability to pay dividends is subject to a number of risks and uncertainties affecting mortgage investments and the mortgage investment industry. See Item 2.3 – "Development of the Business – Trends" and Item 9 – "Risk Factors".

Board of Directors

The mandate of the board of directors of the Corporation is to supervise the management of the business and affairs of the Corporation with a view to the best interests of the Corporation and its Shareholders generally. The board of the Corporation (the "**Board**") consists of nine directors, of which four directors are independent. The Board approves all policies of the Corporation. In addition to the professional qualifications and experience they have

individually, the Board receives on-going education and support on corporate governance and industry policies from its professional advisors.

The Board meets as a whole at least quarterly to review the reports from the Manager and the Administrator on the Corporation's investment portfolio and operations.

Marketing Plans

Mortgage transactions for the Corporation are sourced by the Manager. The Corporation works closely with retail mortgage brokers throughout Ontario, Manitoba, and British Columbia in order to market itself as an alternative lender of choice in the non-conforming mortgage market segment. In addition, the Manager will participate at various financial forums and seminars, as well as organize financial planning seminars to market the Corporation and its business endeavors in the mortgage investment corporation community. The Corporation expects to be well-positioned to receive referrals on mortgage lending opportunities that do not meet the criteria of the major financial institutions. As a result, the Corporation's investments in non-conforming mortgages are expected to earn a higher rate of interest than what is generally obtainable through traditional mortgage lending activities.

Competition

The Corporation competes for investment capital against other alternative and exempt-market investment products, including other mortgage investment corporations. The Corporation's ability to successfully compete for investment capital depends on its ability to generate attractive, stable returns for its investors.

The Corporation competes for mortgage investment opportunities against private lenders, other MICs, mortgage syndicators, individual investors, and real estate investment trusts, both domestic and foreign, which seek mortgage investments similar to those sought by the Corporation. Such lenders may have greater financial and technical resources than the Corporation. Although such competition, as well as any future competition, may adversely affect the Corporation's success in the marketplace, at the present time the Corporation and the Manager have no reason to believe that such competition will prevent the Corporation from successfully executing its business plan or operating profitably.

The Corporation intends to achieve capital growth at a measured rate that will enable it to source and invest in prudent mortgages in order to generate stable returns for its Preferred Shareholders while minimizing risk.

Anti-Money Laundering (AML) Policy

The Corporation has adopted an AML policy to prevent our financial services from being used to promote criminal activity. In order for the Corporation, the Manager and the Administrator to ensure ongoing compliance with all government AML regulations, from time to time they may require additional information from the Subscribers.

If the Corporation has reasonable grounds to suspect that a transaction or an attempted transaction is related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence, the Corporation is required to report 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.

2.3 *Development of Business*

The Corporation was incorporated on November 21, 2013 and commenced raising funds pursuant to offerings of Preferred Shares in March 2014.

Financial Performance

From March 31, 2014 to August 31, 2025, the rate of return on an investment in Preferred Shares has been consistently at 8% per annum with monthly distributions. Commencing with the month ending September 30, 2025, the Corporation adjusted its dividend distribution target to 7.2% per annum. The following graph reflects the

annualized rate of returns of the Corporation for the last twelve completed financial years (from November 1 of each year to October 31 of the following year). Readers are cautioned that past performance is not indicative of future performance, and Corporation cannot guarantee that investors in Preferred Shares will receive similar returns in the future.

* The Corporation commenced raising funds pursuant to offerings of Preferred Shares in March 2014. The 8.0% Rate of Return for the financial year ended October 31, 2014 is a pro-rated amount.

**The Rate of Return for the financial year ended October 31, 2025 is 7.87%, based on 10 months of dividend distribution at 8.0% per annum and 2 months of dividend distribution at 7.2% per annum.

Mortgage Portfolio Details (as of January 31, 2026)

The Corporation holds 148 mortgages, with a total principal outstanding of $61,695,542.08. All mortgages held by the Corporation are residential mortgages, and no mortgage 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 11.2 months, and the weighted average remaining term is 4.4 months. The mortgages that will mature in less than one year represent 93.9% of the total principal of the portfolio.

Of the mortgages held by the Corporation, the principal amount of $56,587,042.08, representing 91.7% 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 Corporation'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
Ontario	$61,695,542.08	10.02%	71.84%
Other Provinces	Nil	-	-
Total	$61,695,542.08	10.02%	71.84%

* Adjusted rate including Lender Fees

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

	Mortgage Principal	Proportion of Mortgage Portfolio
First	$44,790,519.64	72.59%
Second	$16,844,022.44	27.30%
Third	$61,000.00	0.10%
Fourth	Nil	-

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

	Mortgage Principal	Proportion of Mortgage Portfolio
Detached	$35,394,999.08	57.37%
Semi-Detached	$1,734,500.00	2.81%
Townhouse	$7,959,595.00	12.90%
Low & High-Rise Condo	$16,606,448.00	26.92%
Total	$61,695,542.08	100.00%

Due to our prudent and conservative lending practices, delinquency, losses and write-offs have been nominal. Since inception, actual losses incurred by the Corporation through power of sale and foreclosure represents less than 0.20% of the total mortgage principal funded.

As of the date of this Offering Memorandum, the Corporation has a total of ten delinquent mortgages undergoing enforcement. Nine of the ten mortgages are first in registration priority; all are secured against Ontario real estate. The total principal amount of the delinquent mortgages undergoing enforcement is $9,447,479.64, which represents 15.31% of the total principal of the portfolio. Based on the expected realizable value of the collateral and the first priority registrations, the Corporation expects to substantially recover on the principal amounts.

Losses can be offset against any accumulated reserves. To the extent that losses exceed accumulated reserves, delinquent mortgages may negatively impact on the rate of return on an investment in Preferred Shares going forward.

As of the date of this Offering Memorandum, the Corporation has not made any arrangements to accommodate the financial difficulties of any borrower which would be material to a reasonable investor.

Trends

Over the past decade, private mortgage lending in Canada has experienced sustained growth, driven by tighter regulatory oversight of federally regulated financial institutions, demographic shifts, and evolving borrower profiles. These structural factors continue to support demand for private mortgage capital and are expected to remain firmly in place through 2026 and beyond.

Since 2018, the Office of the Superintendent of Financial Institutions (OFSI) has required federally regulated lenders to apply a mortgage stress test to ensure borrowers can withstand potential interest rate increases. Under current guidelines, borrowers must qualify at the higher of (a) the contract rate plus 2%; or (b) the OSFI "floor" rate (5.25% as of the date of this Offering Memorandum). These requirements continue to materially reduce borrowing capacity and limit access to conventional mortgage financing.

In addition, borrowers must meet a maximum Gross Debt Service ("GDS") ratio of 39% and a Total Debt Service ("TDS") ratio of 44%. While interest rates have declined from their peak levels, these ratio-based constraints remain binding for many households, particularly in higher-priced housing markets.

As a result, borrowers who cannot satisfy institutional lending criteria – despite having meaningful equity, stable cash flow, or temporary income variability – continue to seek alternative financing solutions. Private mortgage lenders, such as the Corporation, are not subject to OSFI's underwriting guidelines and can therefore assess credit risk using a broader range of qualitative and quantitative factors.

This trend is reinforced by increasingly restrictive underwriting practices applied by major banks and credit unions to non-traditional borrowers. Self-employed individuals often face heightened documentation requirements and multi-year income verification thresholds. New immigrants may lack sufficient Canadian credit history despite strong financial profiles. Commission-based and gig-economy workers frequently encounter approval challenges due to income volatility. These borrower segments are expected to continue expanding, supporting sustained demand for private mortgage financing.

The Corporation expects that these market conditions will continue to create attractive lending opportunities, enabling the Corporation to deploy capital into mortgages with conservative loan-to-value ratios, strong collateral coverage, and improved borrower credit characteristics, often on terms that are more favourable to the Corporation.

Interest Rates

Between March 2022 and July 2023, the Bank of Canada increased its overnight policy rate from 0.25% to 5.00% in response to elevated inflation. As inflationary pressures moderated and economic growth showed signs of slowing, the Bank began transitioning toward a more accommodative monetary stance in mid-2024, gradually reducing the policy rate. As of the date of this Offering Memorandum, the Bank of Canada's key policy rate (the target for the overnight rate) is at 2.25%. This represents a cumulative reduction from peak levels while remaining positioned to support ongoing inflation control and economic resilience.

As interest rates declined from peak levels, housing affordability has shown signs of improvement. Lower mortgage rates have reduced required monthly payments, easing debt-service pressures for both prospective homebuyers and existing homeowners. At the same time, average residential real-estate prices in several Canadian markets have moderated from prior peak levels, reflecting reduced speculative activity and a more balanced supply-and-demand environment.

The Corporation expects that lower interest rates, combined with improving affordability and stabilized housing prices, will support higher residential real-estate transaction volumes. Increased transaction activity is expected to translate directly into greater demand for short-term, bridge, and equity-based private mortgage financing solutions offered by the Corporation.

Outlook

The Corporation believes that the outlook for the private mortgage lending sector in 2026 remains favourable. Structural constraints within the traditional banking system – including mortgage stress tests, rigid income verification standards, and conservative credit adjudication – are expected to persist even as interest rates stabilize or decline.

At the same time, evolving labour-market dynamics and demographic trends continue to expand the population of borrowers who fall outside conventional lending models. These factors are expected to sustain demand for private mortgage capital, particularly for borrowers seeking transitional, equity-based, or time-sensitive financing.

This environment will allow disciplined private lenders to maintain prudent underwriting standards while benefiting from selective deal flow, enhanced pricing discipline, and strong collateral protection. The Corporation expects that these conditions will continue to support its strategy of focusing on capital preservation, risk-adjusted returns, and consistent income generation for investors.

2.4 *Long Term Objectives*

The Corporation's business objective for the next 24 months is to continue the development of its business by raising investment capital and investing substantially in mortgages secured by real property located in Canada in accordance with the Corporation's investment policies, and to provide Shareholders with sustainable returns on investment through dividend payments. See Item 2.2 – "Our Business – Investment Restrictions, Policies and Guidelines". The Corporation aims to raise such funds as are required to achieve and maintain a mortgage portfolio of approximately $75 million, but not exceeding $125 million, through the issue of Preferred Shares pursuant to the Offering, and where available, by using credit available to the Corporation under arrangements such as the Credit Facility. It is expected that the Corporation's costs will be similar to the costs outlined herein, on a proportionate basis. See Item 1 – "Use of Available Funds".

We will achieve this long-term growth of our earnings and assets by investing in mortgages through lending activities that meet our lending guidelines, minimizing both risk of our capital and the number of foreclosures. We will continue to focus on diversifying the risk while generating a yield substantially higher than an investor could achieve from traditional bank source. As a result, the Corporation intends on generating sustainable income from its investments while preserving corporate capital for re-investment.

2.5 *Short Term Objectives*

The Corporation's business objectives for the next 12 months are to:

(a) raise additional capital pursuant to the Offering and invest in mortgages sufficient to maintain the Corporation's mortgage portfolio at approximately $75 million;

(b) enhance the operating efficiency of the Corporation in conjunction with its long term objectives;

(c) source appropriate lending opportunities by bundling our mortgages with major Canadian financial institutions; and

(d) maintain and to deliver a target net rate of return to Shareholders of 7.2% per annum without substantial risk to investor's principal.

The cost to achieve the short term objective will be the costs associated with the preparation and filing of this Offering Memorandum, including professional fees, management fees, interest and bank charges, trustee fees, licensing fees and compensation paid to sellers and finders where applicable.

The following table discloses how the Corporation intends to meet the objectives:

Actions to be taken	Target Completion Date/ Number of Months to Complete	Cost to Complete
Raise net proceeds of $15,000,000 pursuant to the Offering	Ongoing	$825,000(1)
Manage and administer the existing mortgage portfolio through the Management Agreement and the Administration Agreement, and general and administrative expenses	Ongoing	$500,000(2)
Invest in mortgages in accordance with the Corporation's lending policies	Ongoing	$14,175,000(3)

Notes:

(1) Assuming selling commissions of 5% and offering expenses of $75,000.

(2) There are no fixed costs associated with this objective. However, through contractual arrangements, the Corporation will pay affiliated entities to provide management and mortgage administration services in exchange for the payment of amounts based

upon the book value of the assets of the Corporation. See Item 2.7 – "Material Agreements – Management Agreement" and "– Administration Agreement". The amount of such payments for the next 12 months is approximately $450,000 (assuming average book value of the assets of the Corporation of $60,000,000 during such period). In addition, the Corporation expects to incur general and administrative expenses of $50,000 during such period.

(3) This amount represents the available funds which are intended to be used for investment in mortgages as described in this Offering Memorandum, but does not include the Management Fee or Administration Fee payable in respect of such investments. 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 Corporation, including for mortgage investments. See Item 2.2 – "Our Business – Capital Resources". Alternatively, the Corporation may deposit such funds in short-term deposits, savings accounts or government guaranteed investment certificates.

2.6 *Insufficient Funds*

The funds available as a result of the Offering may not be sufficient to accomplish all of the Corporation'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 Corporation's operations are insufficient to accomplish the Corporation's business objectives, the Corporation expects to rely on credit of up to $50,000,000 available under the Credit Facility. However, without substantial Offering proceeds, the Corporation 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*

The Corporation is party to the following material agreements:

(a) Management Agreement dated and effective November 21, 2013, as amended from time to time, with the Manager for the provision of a wide range of services including, but not limited to, mortgage brokerage services, and overseeing and managing the Corporation's investment portfolio; and

(b) Administration Agreement dated and effective November 21, 2013, as amended from time to time, between the Manager, the Corporation and the Administrator, for the provision of general administration services including but not limited to generally administering mortgage loans, collecting the principal, interest and all other amounts due to the Corporation from mortgagors, and delivering same to the Corporation.

The following descriptions of the Corporation'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 normal business hours during the course of this Offering at the Corporation's head office located at 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7.

Management Agreement

Pursuant to the Management Agreement, the Manager was appointed the manager of the Corporation and its investment portfolio. The Manager has the authority to direct the business, operations and affairs of, and manage the day-to-day activities of, the Corporation and, as applicable, any entity which the Corporation may control from time to time, and to source, recommend, and make available to the Corporation, for investment mortgages or interests in mortgages that meet the Corporation's investment restrictions and underwriting criteria.

The duties of the Manager pursuant to the Management Agreement include:

(a) Management of the Corporation:

(i) negotiation and execution of any investment related agreements, including but not limited to, term sheets, mortgage commitments, and any and all mortgage documents including postponements and discharges as may be required;

(ii) negotiate contractual arrangements with third-party providers of services to the Corporation, and appoint, supervise and remove such third-party service providers and any replacements upon such terms as the Manager shall think fit;

(iii) providing ongoing assistance and guidance to the Corporation to ensure it is compliant at all times with any and all legislation which may bind the Corporation and its business activities including but not limited to the Tax Act, Mortgage Broker Legislation, applicable securities laws, and any associated regulations and policies thereunder, it being acknowledged that the Manager, at its sole discretion, may contract this function out to a third party with the written consent of the directors of the Corporation;

(iv) actively and regularly evaluate the Corporation's portfolio in the context of the investment objectives specified by the Corporation, and for compliance with the investment restrictions specified by the Corporation from time to time, and monitor regularly on an ongoing basis the Corporation's compliance with applicable laws and regulatory requirements, and with the requirements under the Tax Act to qualify as a "mortgage investment corporation" thereunder;

(v) supervision on an ongoing basis of all Corporation funds including, but not limited to general investments, advances, draws, interest payments, collection and disbursement of any funds payable or receivable in accordance with the requirements of the arrangements, mortgages, agreements, undertakings and contracts therefor;

(vi) recommend to the directors of the Corporation the amount of distributions to be made by the Corporation to its Shareholders;

(vii) provide support and assistance with respect to soliciting investor funds for investment in the Corporation pursuant to applicable prospectus and registration exemptions available to the Corporation, or through registered dealers;

(viii) providing regular and continuing accounting, on the basis of generally accepted accounting practices, respecting all costs and expenses of the Corporation;

(ix) instituting, prosecuting and defending legal actions affecting the Corporation;

(x) maintain proper books, accounts and records of the Corporation and its mortgage portfolio, and deliver reports to the Board;

(xi) maintain the registers of securityholders of the Corporation;

(xii) reporting to the investors, on a minimum of an annual basis, regarding the operation of the Corporation;

(xiii) collecting and mailing financial and other reports and all other notices required to be completed by the Corporation;

(xiv) attending to all arrangements necessary for meetings of the Corporation;

(xv) distributing annual tax information prepared by or for the Corporation to the investors each year for the preceding calendar year;

(xvi) coordinate preparation and delivery to shareholders and the Canadian securities regulatory authorities of financial statements and other continuous disclosure documents and reports as are required by applicable law from time to time;

(xvii) do all such acts, take all such proceedings, execute all such documents and exercise all such rights and privileges, although not specifically mentioned here, as the Manager may deem necessary to administer the Corporation and its affairs, and to carry out the purposes

of the Corporation in order for the Corporation to seek to achieve its investment objectives or as the Corporation may from time to time reasonably request.

(b) Portfolio management and mortgage brokerage:

(i) seek out and evaluate opportunities for investments by the Corporation in mortgages and refer to the Corporation any mortgage investment opportunity it directly or indirectly originates that may meet the investment restrictions specified by the Corporation from time to time;

(ii) seek out and evaluate opportunities for investments by the Corporation in mortgages and refer to the Corporation any mortgage investment opportunity through the acquisition of existing mortgages held by third parties that may meet the investment restrictions specified by the Corporation from time to time;

(iii) perform comprehensive due diligence on the assets underlying each mortgage investment opportunity as required including, but not limited to, obtaining structural reports (where necessary), environmental reports, appraisals, quantitative surveyor or architects certificates, title insurance and, to the extent possible, audited operating statements and, when requested, provide the Corporation with all necessary information relating to such mortgage investment opportunity;

(iv) arrange for the investment and reinvestment of the assets of the Corporation in accordance with the investment restrictions specified by the Corporation from time to time with the goal of achieving the Corporation's investment objectives, including identification, evaluation, acquisition and disposition of mortgages, extending and/or modifying mortgage investments of the Corporation, and the enter into one or more agreements with respect to the same as agent for the Corporation;

(v) processing all documentation relating to the business of the Corporation, including but not limited to, applications, appraisals, commitments, registration, funding, collection and discharge of such documents;

(vi) provide assistance to the Corporation with respect to the ongoing evaluation and, as required, adjustment of its investment objectives and restrictions;

(vii) supervise the day-to-day affairs and administration of mortgages in the Corporation's mortgage portfolio and maintain proper books of accounts and records for the Corporation in connection with each such mortgage;

(viii) oversee the servicing of all mortgages in the Corporation's portfolio, monitor the status of all such mortgages, and respond to any potential issues as they may arise;

(ix) hold the assets of the Corporation in connection with the mortgages, which assets shall be held in trust by the Manager for the Corporation;

(x) deliver to the Corporation such reports with respect to the Portfolio as it may request and, at the Directors' request, provide a representative to attend meetings of the Directors;

(xi) as required, enter into agreements with persons licensed under Mortgage Broker Legislation or the requisite legislation to carry on the activities contemplated under the Management Agreement; and

(xii) such other matters, services or acts as shall be reasonably necessary or ancillary to the matters set out above or as the Corporation may from time to time reasonably request.

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

The Manager shall receive compensation in respect of the Management Agreement as set out above in the section entitled Item 2.2 – "Our Business – Management Fees and Expenses".

The Corporation will pay for all fees and expenses incurred by the Manager on behalf of the Corporation in connection with its management duties, including legal, audit, travel, marketing, advertising, shareholder meeting and communication costs that relate specifically to the Corporation and its Shareholders. The Corporation 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 Manager is responsible for all of its internal costs, including (i) all salaries, wages and other expenses of employees of the Manager, (ii) rent and office expenses, (iii) telephone and other communication costs and travel expenses unrelated to the investment activities of the Corporation 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 Management Agreement continues indefinitely until terminated in accordance with its terms, including due to: the dissolution of the Corporation; the bankruptcy or insolvency of the Manager; the Corporation or the Manager being in breach or default of the 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 Manager or termination by the Corporation upon not less than 120 days' written notice; the 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 Corporation and the Manager.

Under the Management Agreement, the Corporation has agreed that the Manager and its directors, officers, employees and partners shall not be liable to the Corporation for any default, failure or defect in the portfolio held by the Corporation or for any act performed, or failure to act, by the Manager within the scope of the authority conferred on the Manager under the 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 Corporation 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 Corporation or in furtherance of the interests of the Corporation provided the activity was within the scope of the authority of the Manager in accordance with the 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 Management Agreement, the Manager has agreed to indemnify and hold harmless the Corporation 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 Manager that constitute wilful misconduct, bad faith, negligence, breach of its standard of care or material breach or default of its obligations.

Under the Management Agreement, the Corporation has acknowledged that the services being provided by the Manager under the Management Agreement are not exclusive and that the 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 Corporation and involve substantial time and resources of the Manager, provided that the Manager acts, at all times, in accordance with the standard of care that is contemplated by the Management Agreement and thereby allocates investment opportunities to the Corporation and to its clients on a fair and equitable basis.

Administration Agreement

Pursuant to the Administration Agreement, the Manager has appointed the Administrator to provide mortgage servicing services to the Corporation on its behalf. The duties of the Administrator pursuant to the Administration Agreement include:

(a) instruct legal counsel to act on behalf of the Corporation, as lender, in respect of mortgage loans, the preparation of all security and other documents related thereto, the registration of security, including mortgage security, in each case in compliance with the applicable mortgage terms;

(b) assemble gross loan amounts from the Corporation and any other participants in particular mortgages, advance same to legal counsel, in each case in compliance with the applicable mortgage terms;

(c) advance loan amounts to borrowers pursuant to mortgages in accordance with the applicable mortgage terms;

(d) pay expenses as required on behalf of the Corporation;

(e) administer the mortgages, including collecting payments of principal, interest, and penalties from borrowers in accordance with the applicable mortgage terms;

(f) promptly remit to the Corporation all payments in connection with mortgages collected by the Administrator on behalf of the Corporation, and hold all such payments in trust pending remittance to the Corporation;

(g) discharge mortgages upon redemption;

(h) ensure that the Corporation is registered on title for all the mortgages it holds and arrange for the safe custody of deeds if applicable;

(i) diligently monitor the status of the mortgages, including the character of the properties mortgaged thereunder or in the amount or nature of the insurance coverage on such properties, and any change in any of the foregoing;

(j) immediately report to the Manager and the Corporation any change in the status of any mortgage, and the character of the property mortgaged thereunder or in the amount or nature of the insurance coverage on such property, upon the Administrator becoming aware of the change;

(k) provide to the Manager and the Corporation a report on the status of the mortgages on at least an annual basis, indicating, in respect of each mortgage, the portion of the payments applied to principal and to interest and the outstanding principal balance at the end of the statement period, and the amount of the Administration Fee charged by the Administrator;

(l) cooperate with the Manager in order to ensure compliance with the Investment Objective and the investment restrictions and policies of the Corporation as the same exist from time to time, provided that these are communicated to the Administrator;

(m) where appropriate, pursue arrears and institute and prosecute legal actions through competent counsel for the enforcement of the Corporation's contractual or other rights including as a mortgagee in a timely and professional manner (and the Corporation and the Manager hereby agree to cooperate in a timely manner in respect of same);

(n) retain solicitors, counsel, and other experts and receivers, and advance such funds as the Administrator considers reasonable or necessary to preserve, protect, defend or improve the Corporation's interest in any mortgage or loan or real property or in any other investment;

(o) co-ordinate and supervise the services of any person, firm or corporation (other than the Manager or third parties retained by the Manager) including, without limitation, property appraisers, engaged to provide services to the Corporation or in relation to its mortgage investments;

(p) maintain and administer a trust account by keeping records of transactions related to the funds collected in trust pursuant to this Agreement, and prepare monthly and annual reconciliation statements for such trust account;

(q) act as a consultant to the Corporation in matters that may arise from time to time between mortgagors and the Corporation;

(r) such other matters, services or acts as shall be reasonably necessary or ancillary to the matters set out above or as the Corporation may from time to time reasonably request.

The Administrator is a related party to the Corporation because the shareholders, directors, and officers of the Administrator are also shareholders, directors, and officers of the Corporation. The Administrator is obligated to exercise its powers and discharge its duties under the Administration Agreement and in good faith and in the best interests of the Corporation. In connection therewith, the Administrator must also exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The Administrator shall receive compensation from the Manager in respect of the Administration Agreement as set out above in the section entitled Item 2.2 – "Our Business – Management Fees and Expenses".

The Corporation will pay for all fees and expenses incurred by the Administrator on behalf of the Corporation in connection with its mortgage administration duties, including third professional services providers, expenses incurred in connection with legal proceedings in which the Administrator participates on behalf of the Corporation or any other acts of the Administrator or any other agent of the Corporation in connection with the maintenance or protection of the property of the Corporation, 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 Administrator is responsible for all of its internal costs, including (i) all salaries, wages and other expenses of employees of the Administrator, (ii) rent and office expenses, (iii) telephone and other communication costs and travel expenses unrelated to the investment activities of the Corporation 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 Administration Agreement continues indefinitely until terminated in accordance with its terms, including due to: the dissolution of the Corporation; termination of the Management Agreement; the bankruptcy or insolvency of the Administrator; the Manager or the Administrator being in breach or default of the 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 Administrator or termination by the Manager upon not less than 120 days' written notice; the 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 Manager and the Administrator.

Under the Administration Agreement, the Corporation has agreed that the Administrator and its directors, officers, employees and partners shall not be liable to the Corporation for any default, failure or defect in the portfolio held by the Corporation or for any act performed, or failure to act, by the Manager within the scope of the authority conferred on the Administrator under the 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 Corporation 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 Corporation or in furtherance of the interests of the Corporation provided the activity was within the scope of the authority of the Administrator in accordance with the 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 Administration Agreement, the Administrator has agreed to indemnify and hold harmless the Corporation 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 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 directors or officers of the Corporation will devote all of his or her full time to the business and affairs of the Corporation, each will devote as much time as is necessary to manage or advise on the business and affairs of the Corporation.

The Corporation is subject to a number of actual and potential conflicts of interest because the shareholders, directors, and officers of the Manager and the Administrator are also shareholders, directors, and officers of the Corporation. In addition, the shareholders, directors and officers of the Corporation and the Manager are also shareholders, directors, and officers of the general partner of RESCO LP.

The directors and officers of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation, and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Directors and officers of the Corporation must comply with the conflict of interest provisions of the CBCA 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 Manager

The Manager renders its services to the Corporation as manager and mortgage broker on a non-exclusive basis under the Management Agreement. The Manager is required to act honestly and in good faith, and and in the best interests of the Corporation. The Manager, its directors and officers and its affiliates may, from time to time, provide services to other persons similar to those provided to the Corporation and enter into other advisory relationships or engage in other business activities. The 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 Corporation, and act as adviser and/or Manager to such entities. Such mortgage investment entities may have investment policies similar to those of the Corporation, and may compensate the Manager differently from the Corporation. Pursuant to the Management Agreement, the 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 Corporation and to its other clients on a fair and equitable basis.

The Manager will follow procedures designed to ensure an appropriate allocation of available investment opportunities among the Corporation and its other clients. The Manager will allocate available lending opportunities between the Corporation and its other clients by based on each entity's specific investment objectives, restrictions, underwriting criteria and risk appetite, as determined by the Manager, acting reasonably. Where a lending opportunity is suitable for more than one investment entity, the 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 Manager may participate as co-investors with the Corporation in an investment. These other entities managed by the Manager may rank in a priority, *pari passu* or

subordinate position to the Corporation. In respect of co-investments in mortgages, the Corporation will generally participate in a subordinate position and the other investment entities managed by the Manager will generally participate in a senior position. Such co-investments may create conflicts of interest.

The Administrator

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

Related Party Transactions

The Manager may cause the Corporation to buy mortgages from or sell mortgages to other investment entities related to the Manager and whose portfolios it manages, based on factors that the Manager in discretion determines to be appropriate. The Corporation will invest in a manner that the Manager believes will allow the Corporation to meet its investment objectives, and comply with its investment restrictions. The 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 Manager and are not negotiated or conducted at arm's length. Such transactions will occur at fair market value, as determined by the 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 Manager will not receive any fee or commission in connection with transactions in mortgage investments between the Corporation and any other investment entity that it manages.

Investors will be required to rely on the honesty and judgment of the Manager for the fair and equitable allocation of available lending opportunities, whether through mortgage origination or through purchases and sales of mortgages.

ITEM 3 INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 *Compensation and Securities Held*

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

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Corporation or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Corporation held after completion of minimum offering	Number, type and percentage of securities of the Corporation held after completion of maximum offering
David Y. Ho *Toronto, Ontario*	Director and President since November 21, 2013	2025 - $600(1)(2)(3) 2026 (est.) - $1,200(1) 2)(3)	250 Common Shares (25%)	250 Common Shares (25%)
Franky M. C. Tse *Markham, Ontario*	Director since July 20, 2015	2025 - $300(1) 2026 (est.) - $1,200(1)	250 Common Shares (25%)	250 Common Shares (25%)

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Corporation or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Corporation held after completion of minimum offering	Number, type and percentage of securities of the Corporation held after completion of maximum offering
Will C. B. Sung *Markham, Ontario*	Director since November 21, 2013	2025 - $600(1)(4)(5) 2026 (est.) - $1,200 (1)(4)(5)	250 Common Shares (25%)	250 Common Shares (25%)
Chris M. K. Cheng *Toronto, Ontario*	Director and Chief Operations Officer since November 21, 2013	2025 - $479,768(1)(6)(7)(8) 2026 (est.) - $236,200(1)(6)(7)(8)	150 Common Shares (15%)	150 Common Shares (15%)
Phoebe M. K. Lam *Richmond Hill, Ontario*	Director since November 21, 2013, Chief Risk Officer since July 1, 2021(9)	2025 - $319,845 (1)(10)(11) 2026 (est.) - $241,200(1)(10)(11)	100 Common Shares (10%)	100 Common Shares (10%)
David C. Looi *Toronto, Ontario*	Chief Executive Offer since November 12, 2025	2025 - $0 2026 (est.) - $257,270(12)	Nil	Nil
Jie Chen *Vancouver, British Columbia*	Director since February 7, 2020	2025 - $600 (1)(13) 2026 (est.) - $1,200 (1)(13)	Nil	Nil
Peter K. C. Lee *Markham, Ontario*	Director since October 1, 2016	2025 - $600 (1) 2026 (est.) - $1,200(1)	Nil	Nil
Judy Lee *Markham, Ontario*	Director since February 22, 2022	2025 - $600 (1) 2026 (est.) - $1,200 (1)	Nil	Nil
Michele Steko *Caledon, Ontario*	Director since February 22, 2022	2025 - $300 (1)(14) 2026 (est.) - $1,200 (1)(14)	Nil	Nil

Notes:

(1) The Corporation pays the directors a service fee of $300 per meeting, up to a maximum of $1,800 per year.

(2) Mr. Ho is a director and the President of the Manager. He received from the Manager $600 in director service fees during the financial year ended October 31, 2025, and is anticipated to receive directors service fees of $1,200 in the current financial year. Mr. Ho, through a corporation controlled by him, is also a beneficial shareholder of the Manager, and accordingly, will indirectly share in any income of the Manager, including income associated with the Management Fee and Lender Fees.

(3) Mr. Ho is a director and the President of the Administrator. He received no compensation from the Administrator during the financial year ended October 31, 2025, and is not anticipated to receive any such compensation in the current financial year. Mr. Ho, through a corporation controlled by him, is also a beneficial shareholder of the Administrator, and accordingly, will indirectly share in any income of the Administrator, including those associated with the Administration Fee.

(4) Mr. Sung is a director of the Manager. He received from the Manager $600 in director service fees during the financial year ended October 31, 2025, and is anticipated to receive directors service fees of $1,200 in the current financial year. Mr. Sung is also a beneficial shareholder of the Manager, and accordingly, will indirectly share in any income of the Manager, including income associated with the Management Fee and Lender Fees.

(5) Mr. Sung is a director of the Administrator. He received no compensation from the Administrator during the financial year ended October 31, 2025, and is not anticipated to receive any such compensation in the current financial year. Mr. Sung is also a beneficial shareholder of the Administrator, and accordingly, will indirectly share in any income of the Administrator, including those associated with the Administration Fee.

(6) Mr. Cheng is a director and the Chief Operating Officer of the Manager. He received from the Manager compensation of $479,768 during the financial year ended October 31, 2025. In the current financial year, Mr. Cheng is anticipated to receive compensation equal to 0.6% per annum of the book value of the total assets of the Corporation from November 2025 to December 2025 and 0.35% per annum from January 2026 to October 2026 of the book value of the total assets of the Corporation, calculated and paid monthly. Assuming assets of the Corporation of $60,000,000, such compensation would

equal $235,000 on an annualized basis in 2026. In addition, Mr. Cheng is anticipated to receive directors service fees of $1,200. Mr. Cheng is also a beneficial shareholder of the Manager, and accordingly, will indirectly share in any income of the Manager, including income associated with the Management Fee and Lender Fees.

(7) Mr. Cheng is a director and the Chief Operating Officer of the Administrator. He received no compensation from the Administrator during the financial year ended October 31, 2025, and is not anticipated to receive compensation in the current financial year. Mr. Cheng is also a beneficial shareholder of the Administrator, and accordingly, will indirectly share in any income of the Administrator, including those associated with the Administration Fee.

(8) Mr. Cheng is a registered dealing representative of Waverley, an Exempt Market Dealer appointed by the Corporation to act as agent in connection with the Offering. Mr. Cheng has a self-imposed restriction whereby he will not act as dealing representative in connection with any subscription of Shares pursuant to the Offering.

(9) Ms. Lam was Managing Director of the Corporation from November 21, 2013 to July 1, 2021.

(10) Ms. Lam is a director and the Principal Broker of the Manager. She received from the Manager compensation of $365,109 during the financial year ended October 31, 2025. In the current financial year, Ms. Lam is anticipated to receive compensation equal to 0.4% per annum of the book value of the total assets of the Corporation in the current financial year, calculated and paid monthly. Assuming assets of the Corporation of $60,000,000, such compensation would equal $240,000 on an annualized basis in 2026. In addition, Ms. Lam is anticipated to receive directors service fees of $1,200. Ms. Lam is also a beneficial shareholder of the Manager, and accordingly, will indirectly share in any income of the Manager, including income associated with the Management Fee and Lender Fees.

(11) Ms. Lam is a director, the Secretary, and Principal Broker of the Administrator. She received no compensation from the Administrator during the financial year ended October 31, 2025, and is not anticipated to receive compensation in the current financial year. Ms. Lam is also a beneficial shareholder of the Administrator, and accordingly, will indirectly share in any income of the Administrator, including those associated with the Administration Fee.

(12) Mr. Looi is the Chief Executive Officer of the Manager. He is anticipated to receive from the Manager compensation in the amount of $257,270 on an annualized basis in 2026.

(13) Mr. Chen is a registered dealing representative of Windstar, an Exempt Market Dealer appointed by the Corporation to act as agent in connection with the Offering. Where Mr. Chen acts as dealing representative in connection with a distribution of Preferred Shares through Windstar pursuant to the Offering, he will be entitled to receive from Windstar a portion of the selling commissions paid by the Corporation to Windstar in respect of such distribution.

(14) 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, pursuant to which Ms. Steko will provide consulting services to the Manager on marketing-related matters.

3.2 *Portfolio Management*

The Chief Executive Officer of the Corporation, David C. Looi 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 following table discloses the principal occupations and relevant experience of the Corporation's directors and executive officers over the past five years.

Name	Principal occupation and relevant experience during last 5 years
David Y. Ho CLU, CH.F.C.	• Mr. Ho has over thirty years of experience in the insurance and wealth management industries. • 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. • Mr. Ho previously served as Regional Managing Director at Canada Life where he

Name	Principal occupation and relevant experience during last 5 years
	was awarded the Canada Life President's Award for outstanding leadership. • He holds a Bachelor of Science degree in Accounting from the University of Illinois at Chicago.
Franky M. C. Tse	• Mr. Tse is an accomplished and versatile business leader with over twenty years of experience in comprehensive financial planning and wealth management. Since 1994, he has been President and owner of People's Insurance Company Ltd. • Mr. Tse has previously worked at Air Canada and New York Life. • Mr. Tse graduated at Wilfred Laurier University in 1982 and further his study at York University with a Bachelor of Business Administrative Study degree in 1985.
Will C. B. Sung	• Mr. Sung has been active in the real estate industry in Toronto since 1984. In 1988, he established at Landstars 360 Realty Inc, Brokerage (formerly Landstars Realty Inc.), of which he remains the owner and a registered salesperson. • Landstars was associated with Century 21 between 1992 and 2012, during which period it was awarded Century 21's Centurion Award for exceptional achievement. • 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 condominium space.
Chris M. K. Cheng	• 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. • 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. • 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. • 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.
Phoebe M. K. Lam	• Ms. Lam has been a licenced a mortgage broker in Ontario since 2011. • Since 2013, Ms. Lam has been the Managing Director of RESCO Mortgage Investment Corporation, and became its Chief Risk Officer in 2021. • Since 2013, Ms. Lam has been the Principal Broker for the Asset Manager and the Mortgage Administrator. • 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 Institute.
David C. Looi CBV	• Mr. Looi is a seasoned financial services professional with two decades of corporate & investment banking, private equity and M&A experience with Canadian and global banks. • Mr. Looi was a Director with the Corporate Finance team of BMO Bank of Montreal. Previously, Mr. Looi has held senior corporate and investment banking positions at Citi, National Bank of Canada, Deloitte and Haywood Securities. • Mr. Looi holds a Bachelor of Commerce degree from the University of Toronto, a Master of Business Administration degree from the Ivey Business School at Western University and is a Chartered Business Valuator (CBV).
Jie Chen	• Mr. Chen has been a dealing representative (Exempt Market Dealer) with the British Columbia Securities Commission as since 2014. • Mr. Chen is currently a dealing representative of Windstar Equities Ltd. and has been successful in raising money markets and land syndications during this time. • 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

Name	Principal occupation and relevant experience during last 5 years
	awards. • Mr. Chen holds a Bachelor of Arts degree from Simon Fraser University, majoring in Economics.
Peter K. C. Lee CA, CPA, CFP	• Mr. Lee is a Chartered Professional Accountant (CPA), with over twenty years of public accounting experience, ten of which were gained at Big 4 firms. From September 2005 through Jun 2013, Mr. Lee was a Senior Manager – Assurance, Private Mid-Market Group at EY. From July 2013 to April 2014, he was a Principal at WH Partners LLP, Chartered Accountants. • Since 2014, he has been the President of Peter K.C. Lee Professional Corporation, Chartered Professional Accountant. • Mr. Lee has significant experience in providing accounting and assurance services for both public and private companies, as well as financial and tax planning advice. He brings to the Board strong financial analysis skills, as well as knowledge of ASPE, IRFS and U.S. GAAP.
Judy Lee	• Ms. Lee brings robust banking industry knowledge and expertise, having held various senior leadership positions with RBC Royal Bank and BMO Bank of Montreal. • 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 services, compliance, capital markets, commercial banking and retail banking at the branch and corporate levels throughout her career. • Ms. Lee was known for her ability to raise employee productivity and engagement, and exceeding sales objectives at her posts.
Michele Steko	• 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. • 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. • 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.

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, there are no debentures or loans due to or from any of the directors, management, promoters or principal holders of the Corporation or any related party.

ITEM 4 CAPITAL STRUCTURE

4.1 *Share Capital*

The following table sets out the capitalization of the Corporation.

Description of security	Number authorized to be issued	Price Per Security	Number outstanding as at January 31, 2026	Number outstanding after maximum offering
Common Shares	Unlimited	$10.00	1,000	1,000
Preferred Shares	Unlimited	$10.00	5,935,437	7,435,437

4.2 *Long Term Debt*

The following table sets out the long term debt of the Corporation.

Description of long term debt	Interest rate	Repayment terms	Amount outstanding as at January 31, 2026
Credit Facility – Prime Rate Loan (1)	Lender's Prime Rate + 0.90% (2)	Upon demand	$4,145,875.74
Credit Facility – CORRA Loan (1)	N/A	N/A(3)	Nil

Notes:

(1) The Corporation may borrow and re-borrow up to $50,000,000 under the Credit Facility as a revolving Prime Rate Loan at variable interest rate, and/or as one or more CORRA loans at fixed interest rates with 30-day or 90-day terms. The Corporation's obligations under the Credit Facility are secured by all personal property of the Corporation, including the Corporation's mortgage portfolio. See Item 2.2 – "Our Business – Capital Resources".

(2) As of the date of this Offering Memorandum, Lender Prime Rate + 0.90% is equivalent to 5.35% per annum.

(3) At maturity, CORRA Loans may be repaid, renegotiated at then current CORRA terms or converted into the Prime Rate Loan.

4.3 *Prior Sales*

Within the past 12 months, the Corporation has issued Preferred Shares as follows:

Date of Issuance	Type of Security Issued	Number of securities issued	Price per security	Total Funds Received
February 1, 2025 to January 31, 2026	Preferred Shares	578,439.895	$10.00	$5,784,398.95

ITEM 5 SECURITIES OFFERED

5.1 *Terms of Securities*

The Corporation is authorized to issue an unlimited number of Preferred Shares, which have the following rights, privileges, restrictions and conditions;

(a) ***Voting***: Except as provided by the CBCA, the holders of the Preferred Shares shall not be entitled to vote at any meeting of the Shareholders.

(b) ***Dividends:***

(i) To receive, in each year, out of any or all profits or surplus available for dividends, non-cumulative dividends as and when declared in the discretion of the Board. Any dividend payable is payable, in the discretion of the Board at the rate set by them, and in preference and priority to any dividends on the Common Shares.

(ii) After payment to them of their preferred dividends as set out in paragraph (b)(i), and payment of dividends in a like amount per share to holders of the Common Shares, holders of Preferred Shares have a right to participate *pari passu* with the holders of Common Shares in any further payment of dividends.

The Corporation, at the request of the Subscriber as provided for in the Subscription Agreement, is permitted to issue Preferred Shares in lieu of cash dividends.

(c) ***Liquidation, Dissolution or Winding-Up***: To receive, on the liquidation, dissolution, winding-up or other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs and before distribution of any part of the assets of the Corporation to holders of the Common Shares an amount equal to the Redemption Amount. After such amounts have been distributed to the holders of the Preferred Shares, the holders of the Preferred Shares will participate *pari passu* with the holders of the Common Shares in the distribution of any remaining amount available for distribution.

(d) ***Redemption Amount*:** The redemption price for each Preferred Share shall be, at the discretion of the directors, the lesser of: (i) $10.00 per Preferred Share plus any declared but unpaid dividends thereon; or (ii) the net realizable value attributable to each Preferred Share as determined in accordance with an internal share valuation prepared by management, calculated at the relevant time and subject to the sole and absolute discretion of the Board (both referred to as the "**Redemption Amount**"). A Preferred Share shall not be redeemed or purchased for an amount greater than the Redemption Amount.

(e) ***Redemption:***

(i) By resolution of the Board, the Corporation may, on giving thirty (30) days' notice of its intent provided in paragraph (e)(ii) below (the "Redemption Notice"), redeem at any time and from time to time the whole or any part of the then outstanding Preferred Shares on the date fixed by such resolution at an amount equal to the Redemption Amount.

(ii) The Redemption Notice will:

i. be in writing;

ii. be given to each person who, at the date the Corporation gives the notice, is the registered holder of the Preferred Shares that the Corporation intends to redeem;

iii. be given by delivering or posting same in a postage paid envelope addressed to each holder of Preferred Shares at the last address of such holder as it appears in

the Corporation's securities register, or if the shareholder's address does not appear in the Corporation's securities register, at the address of such shareholder last known to the Corporation; provided that if the Corporation accidentally fails or omit to give notice to one or more of the shareholders such failure or omission will not affect the validity of the redemption of the Preferred Shares that the Corporation intends to redeem; and

iv. set out the Redemption Amount and the date on which the Corporation intends to redeem the Preferred Shares (the "**Redemption Date**").

Any holder of a Preferred Share to be redeemed may waive the thirty (30) day prior notice period, the giving of notice, or both.

(iii) Subject to paragraph (e)(iv) below, on or after the Redemption Date:

i. the Corporation will pay or cause to be paid the Redemption Amount to the holders of the Preferred Shares that the Corporation intends to redeem, on presentation and surrender of the certificate or certificates for the Preferred Shares called for redemption at the Corporation's registered office or any other place or places within Canada designated by the Redemption Notice; and

ii. such payment will be made by cheque payable at par at any branch in Canada of the Corporation's bankers.

The Preferred Shares in which the Corporation has paid the Redemption Amount in the foregoing manner will, on such payment, be considered to be redeemed. From and after the Redemption Date, the holders of Preferred Shares that the Corporation intends to redeem will not be entitled to exercise any rights of holders in respect of such shares, except to receive the Redemption Amount of those shares, unless the Corporation does not pay the redemption on the presentation of the share certificates in the foregoing manner, in which case, such holders' rights shall remain in full effect.

(iv) If upon giving notice that the Corporation intends to redeem a portion of the outstanding Preferred Shares, the Corporation receives acceptance of an aggregate number of shares greater than the number for which the Corporation is prepared to accept, then the Preferred Shares will be purchased, as nearly as may be, pro rata, to the number of Preferred Shares so offered for redemption by each of the holders of the Preferred Shares.

(f) ***Retraction:***

(i) Subject to paragraph (f)(iii), paragraph (f)(iv) and paragraph (f)(v)below, the Corporation will purchase or redeem the number of Preferred Shares described in a notice, complying with paragraph (f)(ii) below, received by the Corporation (the "**Retraction Notice**"):

i. on the date (the "**Date of Retraction**") that is no later than the last business day of the calendar month which is six full months following the month in which a Retraction Notice is received by the Corporation,; and

ii. for an amount equal to the Redemption Amount calculated as of the Date of Retraction times the number of Preferred Shares to be redeemed or purchased.

(ii) The Retraction Notice from any holder of the Preferred Shares to the Corporation will:

i. be in writing;

ii. set out the number of Preferred Shares to be redeemed or purchased; and

iii. set out the chartered bank, trust company or address in the city in which the registered office of the Corporation is located to which any amount on the redemption or purchase is to be paid.

(iii) Retraction of Preferred Shares will not be redeemed by the Corporation for which a Retraction Notice is received, if:

i. redemption of the aggregate number of Preferred Shares subject to the Retraction Notices would result in the Corporation having retracted a number of Preferred Shares during the period of time since the start of the most recent fiscal year which is greater than 25% of the Preferred Shares issued and outstanding (as at the beginning of the fiscal year during which the last of such Retraction Notices are given); or

ii. redemption of the aggregate number of Preferred Shares subject to the Retraction Notices given in a calendar month would result in the Corporation having retracted a number of Preferred Shares on the corresponding Date of Retraction which is greater than 5% of the Preferred Shares issued and outstanding (as at the beginning of the fiscal year during which such Retraction Notices are given).

Subject to the requirements of the CBCA, the Corporation may waive either or both of the aforementioned limitations for any Date of Retraction, and failing such waiver, Preferred Shares which are subject to Retraction Notices given in any one calendar month will be redeemed on a basis which is pro rata to the number of Preferred Shares subject to such Retraction Notices.

Since the beginning of the Corporation's current fiscal year on November 1, 2025, the Corporation has completed retractions resulting in the redemption of 25% of the number of all Preferred Shares outstanding at the beginning of the fiscal year. As a result, the annual limit noted in sub-paragraph (iii)(i) above has been reached and the Corporation does not expect to process further retractions until the end the Corporation's current fiscal year.

(iv) Retraction of Preferred Shares will not be redeemed by the Corporation for which a Retraction Notice is received, if it would result in:

i. the Corporation having less than 20 holders of Preferred Shares;

ii. the Corporation failing to qualify as a "mortgage investment corporation" as that term is defined in the Tax Act;

iii. any Preferred Shareholder becoming a Specified Shareholder as defined under the mortgage investment corporation provisions of the Tax Act, as amended from time to time; or

iv. the Corporation failing to comply with any solvency tests or be in violation of any other provision of the CBCA;

(v) Any retraction requested by a holder of Preferred Shares pursuant to a Retraction Notice in respect of the original number of Preferred Shares subscribed for by that holder, shall be subject to a discount on the applicable Date of Retraction in accordance with the following schedule of discounts:

i. Where the Date of Retraction is less than 12 months after the issue date of the subject Preferred Shares - 4.0% discount

ii. Where the Date of Retraction is between 12 to 24 months after the issue date of the subject Preferred Shares - 3.0% discount

iii. Where the Date of Retraction is between 24 to 36 months after the issue date of the subject Preferred Shares - 2.0% discount

iv. Where the Date of Retraction is between 36 to 48 months after the issue date of the subject Preferred Shares - 1.0% discount

v. Where the Date of Retraction is more than 48 months after the after the issue date of the subject Preferred Shares - 0% discount

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

(g) ***Redemption or Retraction Deposit***: If a Retraction Notice or Redemption Notice is given in respect to any of the Preferred Shares, then an amount sufficient to redeem or purchase those Preferred Shares to be redeemed or purchased shall be deposited by the Corporation with any trust company or chartered bank or be sent to the address specified in the Retraction Notice or Redemption Notice, on or before the date so fixed for the redemption or purchase. The holder shall have no rights against the Corporation in respect to these Preferred Shares except upon surrender of certificates for Preferred Shares, to receive payment thereout of the money so deposited.

Constraints on Transferability

The Corporation intends to refuse registration of any allotment or any transfer of Preferred Shares that would result in the Corporation ceasing to meet the qualifications of a MIC. See Item 7 - "Income Tax Consequences and RRSP Eligibility – 7.1 Status of the Corporation". As the Corporation is not currently a reporting issuer in the selling jurisdictions or in any other jurisdiction, the Preferred Shares are subject to resale restrictions pursuant to applicable securities laws. See Item 11 – "Resale Restrictions".

Dividend Policy and Reinvestment Plan

Subject to applicable laws, the holders of Preferred Shares shall be entitled to receive, and the Corporation shall pay thereon, dividends as and when declared from time to time by the Board out of the assets of the Corporation properly applicable to the payment of dividends, in an amount determined by the Board in its absolute discretion. Dividends will be paid in cash by direct deposit, certified cheque, money order or bank draft, or at the option of Shareholder, through the issuance of additional Preferred Shares ("**Dividend Shares**").

Holders of Preferred Shares may from time to time elect to receive dividends in cash or Dividend Shares by delivering to the Corporation written notice of such election not less than 60 days before the effective date of such election. Dividend Shares will be issued at the price of $10.00 per Dividend Share, or such other price per Dividend Share as the Board may determine upon 90 days' prior written notice to the holders of Preferred Shares. The Corporation reserves the right to amend or cancel its policy regarding the issuance of Dividend Shares.

The reinvestment of dividends does not relieve a Shareholder of liability for tax on those dividends. Shareholders who intend to receive Dividend Shares in lieu of cash should consult their tax advisers about the tax consequences that will result from their acquisition of Dividend Shares.

Notwithstanding the foregoing, the Board may, for fiscal planning or other tax efficiency reasons, in their discretion declare an additional dividend to Shareholders payable on December 31. Each such additional dividend may be satisfied by the issuance of additional shares of the Corporation, cash, or other property of the Corporation. Immediately following payment of any such additional dividend in shares, the number of shares of the applicable class outstanding after the dividend will be consolidated such that each Shareholder will hold after the consolidation the same number and class of shares as the Shareholder held before the additional dividend. In such case, each certificate representing one or more shares prior to such dividend shall be deemed to represent the same number and class of shares after such dividend and consolidation. Notwithstanding the foregoing, where tax is required to be withheld from a Shareholder's participation in the additional dividend, the consolidation will result in such Shareholder holding that number of shares equal to (a) the number and class of shares held by such Shareholder prior to the dividend plus

the number and class of shares received by such Shareholder in connection with the additional dividend (net of any taxes withheld) prior to the consolidation multiplied by (b) the fraction obtained by dividing the aggregate number of shares of the applicable class outstanding prior to the dividend by the aggregate number of shares of the applicable class that would be outstanding following the additional dividend and before the consolidation if no withholding were made in respect of any part of the additional dividend payable to any Shareholder. Any such Shareholder, subject to withholding, will be required to surrender the share certificate(s), if any, representing such Shareholder's original shares in exchange for a certificate representing such Shareholder's post-consolidation shares.

There is no assurance of any return on a Shareholder's investment. The Preferred Shares are not debt instruments and there is no principal amount owing to Shareholders under the Preferred Shares. An investment in the Preferred Shares is not insured through the Canada Deposit Insurance Corporation.

5.2 *Subscription Procedure*

The Preferred Shares are offered if and when Subscription Agreements are accepted by the Corporation and subject to prior sale. The maximum offering is 1,500,000 Preferred Shares ($15,000,000). The minimum initial subscription is 1,000 Preferred Shares ($10,000) and the minimum subsequent investment amount is 500 Preferred Shares ($5,000). The Corporation may accept other amounts in its sole discretion.

Subscribers who wish to purchase Preferred Shares will be required to enter into a Subscription Agreement with the Corporation by completing and delivering the Subscription Agreement and related documentation to the Corporation. The Subscription Agreement contains, among other things, representations and warranties required to be made by the purchaser that it is duly authorized to purchase the Preferred Shares, that it is purchasing the Preferred Shares for investment and not with a view for resale, and as to its corporate status or other qualifications to purchase the Preferred Shares on a "private placement" basis. For the specific terms of these representations, warranties and conditions, please refer to the Subscription Agreement and related documentation, copies of which are attached as Schedule "A" to this Offering Memorandum. All subscription documents should be reviewed by prospective subscribers and their professional advisers prior to subscribing for Preferred Shares.

A purchaser wishing to subscribe for Preferred Shares must return to RESCO Mortgage Investment Corporation, 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7, the following:

(a) a completed Subscription Agreement in the form of Appendix "1" to this Offering Memorandum, including all applicable schedules thereto; and

(b) payment by direct deposit, certified cheque, money order or bank draft in the amount of the aggregate Subscription Price of the Preferred Shares subscribed for, payable to "**RESCO Mortgage Investment Corporation**".

Subject to applicable securities laws, and the purchaser's two-day cancellation right, a subscription for Preferred Shares, evidenced by a duly completed Subscription Agreement delivered to the Corporation shall be irrevocable by the Subscriber. See Item 12 – "Purchasers' Rights". The subscription funds delivered together with a Subscription Agreement will be held in trust until midnight of the second Business Day subsequent to the date that each Subscription Agreement is signed by a purchaser. In the event that such Subscriber provides the Corporation with a cancellation notice prior to midnight of the second Business Day after the signing date, all subscription funds delivered by such Subscriber will be promptly returned without interest or deduction, plus applicable documentation.

Thereafter, subscription funds received will be held in trust by the Corporation pending closing of the Offering. The Offering is a continuous offering. Closings will take place from time to time on dates established by the Corporation in its sole discretion until the maximum offering has been completed. Subscriptions for Preferred Shares will be received subject to rejection or allotment in whole or in part, and the Corporation reserves the right to close the subscription books at any time without notice. Any funds for subscriptions that the Corporation does not accept will be promptly returned without interest after the Corporation has determined not to accept the subscription.

Qualified Subscribers

The Offering of Preferred Shares is being made to, and subscriptions will only be accepted from, investors who are residents in Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia and Prince Edward Island and purchase the Preferred Shares pursuant to the "offering memorandum" exemption set out in Section 2.9 of NI 45-106, the "accredited investor" exemption set out in Section 2.3 of NI 45-106 and section 73.3 of the *Securities Act* (Ontario), the Minimum Amount Investment exemption set out in Section 2.10 of NI-45-106, and other applicable exemptions from the prospectus and registration requirements of applicable securities laws of the offering jurisdictions available under NI 45-106.

The foregoing exemptions relieve the Corporation from provisions of applicable securities laws that would otherwise require the Corporation to file and obtain a receipt for a prospectus, and distribute the Preferred Shares through a registered securities dealer. Accordingly, Subscribers will not receive the benefits associated with purchasing the Preferred Shares pursuant to a filed prospectus, including the review of the material by securities regulatory authorities, and may not receive the benefits associated with the involvement of registered securities dealers.

Each Subscriber is urged to consult with its own legal adviser as to the details of the statutory exemption being relied upon and the consequences of purchasing securities pursuant to such exemption.

Investment Limits

In certain jurisdictions in Canada, the "offering memorandum" exemption set out in Section 2.9 of NI 45-106 establishes certain investment limits for individual investors. The acquisition costs of all securities acquired by an individual investor under Section 2.9 of NI 45-106 in the preceding 12 months may not exceed the following amounts:

- in the case of a purchaser that is not an "eligible investor" (as such term is defined in Section 1.1 of NI 45-106), $10,000;
- in the case of a purchaser that is an eligible investor, $30,000; and
- in the case of a purchaser that is an eligible investor and that received advice from a portfolio manager, investment dealer or exempt market dealer that the investment is suitable, $100,000.

Each Subscriber is urged to consult with its own legal adviser as to the details of the statutory exemption being relied upon and the consequences of purchasing securities pursuant to such exemption.

Representation and Agreement

By signing the Subscription Agreement, each Subscriber represent and warrant that the Subscriber meets the conditions of the applicable prospectus exemption in purchasing Preferred Shares pursuant to the Offering and is thus entitled under the prospectus exemption to purchase Preferred Shares without the benefit of a prospectus qualified under applicable securities laws.

You should carefully review the terms of the Subscription Agreement accompanying this Offering Memorandum for more detailed information concerning the rights and obligations of you and the Corporation. Execution and delivery of the subscription agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf. You should consult with your own professional advisors. See Item 9 – "Risk Factors".

ITEM 6 REPURCHASE REQUESTS

The following table summarizes the Preferred Shares redeemed by the Corporation during the last two financial years, and in the current financial year to January 31, 2026:

Date	Opening balance of outstanding redemption requests ($)	Redemption Requests Received During Period		Redemption Requests Fulfilled During Period		Closing balance of outstanding redemption requests ($)
		Value ($)	Number of Preferred Shares	Value ($)	Number of Preferred Shares	
Financial year ended October 31, 2024	493,300.56 (1)	7,208,852.49	720,885.24	7,379,733.16	737,973.31	322,419.89 (2)
Financial year ended October 31, 2025	322,419.89 (2)	9,828,540.87	982,854.08	7,848,121.00	784,812.10	2,302,839.76 (3)
November 1, 2025 to January 31, 2026	2,302,839.76 (3)	17,590,804.30	1,759,080.43	13,854,473.19	1,385,447.31	6,039,170.85 (4)

Notes:

(1) Fulfilled on November 1, 2023.

(2) Fulfilled on November 1, 2024.

(3) Fulfilled on November 3, 2025.

(4) Fulfilled $5,024,130.83 on February 2, 2026. The Corporation does not expect to process further Repurchase Requests for the remainder of the current fiscal year. See Item 5.1. – "Securities Offered – Terms of Securities".

ITEM 7 INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

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

Summary of Tax Consequences to Shareholders

In the opinion of Rosenswig McRae Thorpe, LLP, Chartered Accountants, tax advisors to the Corporation, the following constitutes a fair and adequate summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to Shareholders that acquire Preferred Shares pursuant to this Offering Memorandum and who, at all relevant times, for the purposes of the Tax Act, hold their Preferred Shares as capital property, deal at arm's length with the Corporation, and are not affiliated with the Corporation. A Preferred Share will generally be considered to be capital property to a Shareholder unless either (i) the Shareholder holds the Preferred Share in the course of carrying on a business of buying and selling securities, or (ii) the Shareholder has acquired the Preferred Share in a transaction or transactions considered to be an adventure in the nature of trade.

This summary is not applicable to a Shareholder: (i) that is a "specified financial institution"; (ii) an interest in which is a "tax shelter investment"; (iii) that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules); (iv) that reports its "Canadian tax results" in a currency other than Canadian currency; or (v) that enters into a "derivative forward agreement" in respect of the Shares, each as defined in the Tax Act. Such purchasers should consult their own tax advisors.

This summary is based upon the facts set out in this Offering Memorandum, the current provisions of the Tax Act and the regulations thereunder, all specific proposals (the "**Tax Proposals**") to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Offering Memorandum and the current published administrative practices of the Canada Revenue Agency. This summary assumes that any Tax Proposals will be enacted as currently proposed but does not take into account or anticipate any other changes in law whether by legislative, governmental or judicial action and does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. It is not intended to be and should not be interpreted as legal or tax advice to any particular individual. Individuals are urged to consult with their own tax adviser regarding the income tax considerations to them of acquiring, holding and disposing of Preferred Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

7.1 *Status of the Corporation*

This summary is based on the assumption that the Corporation will at all times meet certain conditions imposed on the Corporation under the Tax Act in order to qualify as a MIC thereunder. These conditions will generally be satisfied if, throughout a taxation year of the Corporation:

(a) the Corporation was a "Canadian corporation" as defined in the Tax Act;

(b) the Corporation's only undertaking was the investing of funds and it did not manage or develop any real or immovable property;

(c) no debts were owing to the Corporation that were secured on real or immovable property situated outside Canada;

(d) no debts were owing to the Corporation by non-resident persons unless such debts were secured on real or immovable property situated in Canada;

(e) the Corporation did not own shares of non-resident corporations;

(f) the Corporation did not hold real or immovable property, or any leasehold interest in such property, located outside of Canada;

(g) the cost amount of the Corporation's property consisting of debts secured by mortgages, hypothecs or in any other manner on houses or on property included within a housing project (as those terms are defined in the *National Housing Act*), together with cash on hand and deposits with a bank or any other corporation whose deposits are insured by the Canada Deposit Insurance Corporation or with a credit union (collectively, the "**Qualifying Property**") was at least 50% of the cost amount to it of all of its property;

(h) the cost amount of real or immovable property (including leasehold interests therein but excluding real or immovable property acquired as a consequence of foreclosure or defaults on a mortgage held by the Corporation) owned by the Corporation did not exceed 25% of the cost amount to it of all of its property;

(i) the Corporation had at least 20 shareholders and no person was a "specified shareholder", meaning that no shareholder together with persons related to the shareholder (within the meaning of the Tax Act) may hold, directly or indirectly, more than 25% of the shares of any class of the Corporation at any time in the taxation year;

(j) holders of Preferred Shares had a right, after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of the Common Shares, to participate *pari passu* with the holders of Common Shares in any further payment of dividends;

(k) where at any time in the year the cost amount to the Corporation of its Qualifying Property was less than two-thirds of the cost amount to it of all of its property, the Corporation's liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities; and

(l) where the requirement in (xi) is not applicable in that the cost amount of its Qualifying Property equalled or was greater than two-thirds of the cost amount of all its property, the Corporation's liabilities did not exceed five times the amount by which the cost amount to it of all its property exceeded its liabilities.

If the Corporation were at any time to fail to qualify as a MIC, the income tax considerations would be materially different from those described below. Tax considerations applicable where the Corporation does not so qualify as a MIC at any particular time are not discussed in this summary or elsewhere in the Offering Memorandum.

7.2 *Taxation of the Corporation*

Provided the Corporation remains a MIC throughout the year, the Corporation will be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the Corporation in computing its income for the preceding year. A MIC may declare a capital gains dividend in an amount equal to the gross amount of its capital gains if it is paid during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year and is entitled to deduct half of such dividend from its taxable income. The combination of the Corporation's deduction for capital gains dividends and the shareholder's deemed capital gain allows the Corporation to flow capital gains through to a shareholder on a tax-efficient basis. The Corporation intends to declare dividends each year in sufficient amounts to reduce its taxable income to nil. To the extent that it does not do so, the Corporation will be taxed at the highest corporate rates.

No deduction may be made by the Corporation in respect of taxable dividends received by the Corporation from other corporations.

7.3 *Taxation of Shareholders*

(a) **Shareholders Resident in Canada**

This section of the summary applies to a Shareholder who, at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act, and any applicable income tax treaty or convention (a "**Resident Shareholder**"). This section of the summary is not applicable to a Resident Shareholder: (i) that is a "financial institution" for purposes of the mark-to-market rules in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) that reports its "Canadian tax results" within the meaning of the Tax Act in a currency other than Canadian currency; or (iv) an interest in which is a "tax shelter investment" for the purposes of the Tax Act. Such Shareholders should consult their own tax advisors with respect to an investment in Preferred Shares.

A Resident Shareholder whose Preferred Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have the Preferred Shares owned by such Resident Shareholder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Resident Shareholder should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances.

Provided the Corporation qualifies as a MIC under the Tax Act throughout the taxation year, any dividends, other than capital gains dividends, paid by the Corporation during a taxation year or within 90 days after the end thereafter to a Resident Shareholder will be deemed to be interest income for purposes of the Tax Act.

Any amount received by a Resident Shareholder during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year, as dividend which the MIC has declared as capital gains dividend, will be deemed to be a capital gain for the Resident Shareholder from a disposition of capital property.

Where a Resident Shareholder is a "Canadian-controlled private corporation" (as defined in the Tax Act), capital gains dividends and ordinary dividends received on the Preferred Shares will be subject to an additional tax, a portion of which is refundable.

On the disposition or deemed disposition of a Preferred Share by a Resident Shareholder, the Resident Shareholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition in respect of such Preferred Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Preferred Share to the Resident Shareholder. A Resident Shareholder's proceeds of disposition will not include an amount payable by the Corporation on the Preferred Share that is otherwise required to be included in the Resident Shareholder's income.

One-half of the amount of any capital gain (a "**taxable capital gain**") realized by a Resident Shareholder in a taxation year must be included in computing such Resident Shareholder's income for that year, and one-half of any

capital loss (an "**allowable capital loss**") realized by a Resident Shareholder in a taxation year must be deducted from any taxable capital gains realized by the Resident Shareholder in the year, subject to and in accordance with the provisions of the Tax Act. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such years, subject to and in accordance with the provisions of the Tax Act.

On an acquisition of Preferred Shares by the Corporation, a Resident Shareholder generally will be deemed to have received, and the Corporation will be deemed to have paid, a dividend in an amount equal to the amount by which the price paid by the Corporation exceeds the paid-up capital of the purchased Preferred Shares. This deemed dividend will be treated in the same manner as other dividends received by the Resident Shareholder from the Corporation (i.e. as interest income or a capital gain depending on whether the Corporation elects that the entire dividend be a capital gains dividend). The balance of the purchase price, if any, will constitute proceeds of disposition of the Preferred Shares for purposes of the capital gains rules, as described above.

In general terms, capital gains dividends, paid or payable, or deemed to be paid or payable, to a Resident Shareholder who is an individual or trust (other than certain specified trusts), and capital gains realized on the disposition of Preferred Shares by such Resident Shareholder, may increase the Resident Shareholder's liability for alternative minimum tax.

(b) **Shareholders not Resident in Canada**

This portion of the summary is generally applicable to a Shareholder who, at all relevant times, for purposes of the Tax Act: (i) is not, and is not deemed to be, resident in Canada for the purposes of the Tax Act or any applicable income tax treaty or convention; and (ii) does not and will not use or hold, and is not and will not be deemed to hold, the Preferred Shares in connection with carrying on a business in Canada (a "**Non-Resident Shareholder**"). This portion of the summary does not apply to a Non-Resident Shareholder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere and such Non-Resident Shareholders should consult their own tax advisors with respect to an investment in Preferred Shares.

Provided the Corporation qualifies as a MIC under the Tax Act throughout the taxation year, any dividends, other than capital gains dividends, paid by the Corporation during a taxation year or within 90 days after the end thereafter to a Non-Resident Shareholder will be deemed to be payments of interest income for purposes of the Tax Act. Such deemed interest payments to a Non-Resident Shareholder may be considered to be "participating debt interest" (within the meaning of the Tax Act) and subject to Canadian withholding tax at the rate of 25% of the amount of the deemed interest payment, subject to any reduction in the rate of withholding to which the Non-Resident Shareholder is entitled under any applicable income tax treaty or convention between Canada and the country in which the Non-Resident Shareholder is resident. Accordingly, the Corporation intends to withhold and remit such tax at the rate of 25% of the amount of such deemed interest payment to a Non-Resident Shareholder, subject to any such reduction in the rate of withholding under any applicable income tax treaty or convention. Non-Resident Shareholders should consult with their own tax advisors before acquiring Preferred Shares.

Capital gains dividends paid by the Corporation to a Non-Resident Shareholder should not be subject to non-resident withholding tax under the Tax Act.

On the disposition or deemed disposition of a Preferred Share by a Non-Resident Shareholder, the Non-Resident Shareholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition in respect of such Preferred Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Preferred Share to the Non-Resident Shareholder. A Non-Resident Shareholder's proceeds of disposition will not include an amount payable by the Corporation on the Preferred Share that is otherwise required to be included in the Non-Resident Shareholder's income.

However, a Non-Resident Shareholder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Shareholder on a disposition of Preferred Shares, unless the Preferred Shares constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Shareholder at the time of

disposition and the Non-Resident Shareholder is not entitled to relief under an applicable income tax treaty or convention.

Preferred Shares generally will not constitute taxable Canadian property of a Non-Resident Shareholder, unless (a) at any time during the 60-month period immediately preceding the disposition or deemed disposition of the Preferred Shares more than 50% of the fair market value of the Preferred Shares was derived directly or indirectly from one or any combination of: (A) real or immovable property situated in Canada; (B) Canadian resource property (as defined in the Tax Act); (C) timber resource property (as defined in the Tax Act), or (D) options in respect of, or interests in, or for civil law rights in, property described in any of (A) through (C) above, whether or not such property exists; or (b) the Preferred Shares are otherwise deemed under the Tax Act to be taxable Canadian property. For the purposes of the Tax Act, an interest in real property does not include an interest as security only derived by virtue of a mortgage.

If the Preferred Shares are taxable Canadian property to a Non-Resident Shareholder, any capital gain realized on the disposition or deemed disposition of such Preferred Shares may not be subject to Canadian federal income tax pursuant to the terms of an applicable income tax treaty or convention between Canada and the country of residence of a Non-Resident Shareholder.

On an acquisition of Preferred Shares by the Corporation, a Non-Resident Shareholder generally will be deemed to have received, and the Corporation will be deemed to have paid, a dividend in an amount equal to the amount by which the price paid by the Corporation exceeds the paid-up capital of the purchased Preferred Shares. This deemed dividend will be treated in the same manner as other dividends received by the Non-Resident Shareholder from the Corporation (i.e., as interest income, subject to non-resident withholding tax as described above, or a capital gain, depending on whether the Corporation elects that the entire dividend be a capital gains dividend). The balance of the purchase price, if any, will constitute proceeds of disposition of the Preferred Shares for purposes of the capital gains rules, as described above.

7.4 *Taxation of Registered Plans*

The Preferred Shares will be qualified investments for Registered Plans at a particular time if the Corporation qualifies as a MIC under the Tax Act at such particular time and if throughout the calendar year in which the particular time occurs, the Corporation does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary or a subscriber under, or a holder of, the particular Registered Plan or of any other person who does not deal at arm's length with that person. Adverse tax consequences, not discussed herein, would generally result if the Corporation at any time fails to qualify as a MIC and the Preferred Shares otherwise fail to constitute qualified investments for Registered Plans.

Notwithstanding that the Preferred Shares may be a qualified investment for a RRSP, RRIF or TFSA, the annuitant of an RRSP or RRIF or the holder of a TFSA, as the case may be, which acquires Preferred Shares will be subject to a penalty tax under the Tax Act if such Preferred Shares are a "prohibited investment" (within the meaning of the Tax Act) for the particular RRSP, RRIF or TFSA. Preferred Shares will generally be a prohibited investment for a RRSP, RRIF or TFSA if annuitant of the RRSP or RRIF or the holder of the TFSA, as applicable, does not deal at arm's length with the Corporation for purposes of the Tax Act or has a "significant interest" (within the meaning of the Tax Act) in the Corporation. In addition, Preferred Shares will not be prohibited investments if they are "excluded property" as defined in the Tax Act for RRSPs, RRIFs and TFSAs. Annuitants and holders should consult their own tax advisors to ensure that the Preferred Shares would not be a prohibited investment for a trust governed by a RRSP, RRIF or TFSA in their particular circumstances.

Dividends received by a Registered Plan on Preferred Shares that are a qualified investment for such Registered Plan will be exempt from income tax in the Registered Plan, as will capital gains realized by the Registered Plan on the disposition of such Preferred Shares. Withdrawals from Registered Plans, other than a TFSA and certain withdrawals from a RDSP or RESP, are generally subject to tax under the Tax Act.

ITEM 8 COMPENSATION PAID TO SELLERS AND FINDERS

Where permitted by applicable securities laws, the Corporation may pay cash commissions or referral fees to any one of, or a combination of, Registered Dealers and qualified finders who refer Subscribers to the Corporation. The Corporation may pay a fee of up to 5% of the gross proceeds of the Offering received in connection with the sale of Preferred Shares pursuant to the Offering attributable to the applicable Registered Dealer or finder, and will be paid out of such gross proceeds of the Offering. Under no circumstances will a commission or referral fee be paid under any type of dividend reinvestment plan or periodic reinvestment plan.

ITEM 9 RISK FACTORS

This is a speculative Offering. The purchase of Preferred Shares involves a number of risk factors and is suitable only for Subscribers who are aware of the risks inherent in the real estate industry and who have the ability and willingness to accept the risk of loss of their invested capital and who have no immediate need for liquidity. There is no assurance of any return on a Subscriber's investment.

The Corporation advises that prospective Subscribers should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Preferred Shares 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 Preferred Shares. Any or all of these risks, or other as yet unidentified risks, may have a material adverse effect on the Corporation's business, and/or the return to the Subscribers.

(a) **Investment Risk** - Risks that are specific to the Preferred Shares being offered under this Offering include the following:

(i) **No Assurance of Achieving Investment Objectives** – There is no assurance that the Corporation will be able to achieve its investment objectives or be able to pay dividends at the currently anticipated levels or at all, or be able to preserve capital. The cash available for dividends to Shareholders is expected to vary according to, among other things, the Manager's ability to identify and invest in mortgage investment opportunities that meet the Corporation's criteria for investment, as well as the interest and principal payments received in respect of the mortgage loans comprising the Corporation's mortgage portfolio, which will in turn depend on number of factors including economic conditions and prevailing interest rates, the level of risk assumed, conditions in the real estate industry, government policy and regulation. There is no assurance that the Manager will be able to identify appropriate mortgage investment opportunities that will satisfy the Corporation's investment objectives on an ongoing basis, that its mortgage portfolio achieve acceptable returns on investment, or that principal amounts advanced to mortgagors will be repaid or otherwise recovered by the Corporation. An investment in the Preferred Shares is suitable for investors who can bear the risk of non-payment of dividends.

(ii) **No Market for Preferred Shares and Resale Restrictions** - There is no market through which the Preferred Shares may be sold and the Corporation does not expect that any market will develop pursuant to this Offering or in the future. The Preferred Shares are subject to a restrictions on transfer and resale imposed by applicable securities laws. Unless permitted under securities laws, no Shareholder can trade Preferred Shares before the date that is four months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada. The Corporation is not, and currently has no intention of becoming, a reporting issuer in any province or territory of Canada, and therefore all Preferred Shares will be subject to an indefinite hold period. The lack of a trading market and resale restrictions may impair an investor's ability to sell their Preferred Shares at the time they wish to sell them or at a price that they consider reasonable, and Preferred Shares may not be readily accepted as collateral for a loan. Subscribers should be prepared to hold these securities indefinitely and cannot expect to be able to liquidate their investment even

in the case of an emergency. Accordingly, an investment in Preferred Shares is suitable solely for persons able to make and bear the economic risk of a long-term investment.

(iii) **Retraction Liquidity** - The Preferred Shares are retractable, meaning that Subscribers have the right to require the Corporation to redeem them, upon appropriate advance notice from the Subscriber to the Corporation and pursuant to the terms contained in Item 5.1 – "Securities Offered - Terms of Securities". The Preferred Shares have retraction timings, as measured from the date on which the Subscriber is issued the Preferred Shares to the date on which the Subscriber is entitled to call for their redemption by the Corporation. If the Subscriber does not provide the Corporation with the appropriate notice of retraction, the right of retraction is suspended until an additional time period has elapsed. Retractions may be suspended by the Corporation from time to time without advance notice to the Subscriber. See Item 5.1 - "Securities Offered - Terms of Securities".

The Corporation provides no assurance that any Subscriber will be able to retract any or all of their Preferred Shares at any time. Accordingly this investment is unsuitable for those prospective Subscribers who may require liquidity.

(iv) **Absence of Voting Rights** - The Preferred Shares being sold under this Offering do not carry voting rights, and consequently a Subscriber's investment in Preferred Shares does not carry with it any right to take part in the control or management of the Corporation's business, including the election of directors.

In assessing the risks and rewards of an investment in Preferred Shares, potential Subscribers should appreciate that they are relying solely on the good faith, judgment and ability of the Manager to make appropriate decisions with respect to the management of the Corporation, and that they will be bound by the decisions of the Corporation's and the Manager's directors, officers and employees. It would be inappropriate for Subscribers unwilling to rely on these individuals to this extent to purchase Preferred Shares.

(v) **Lack of Separate Legal Counsel** - The Subscribers, as a group, have not been represented by separate counsel. Neither counsel for the Corporation nor counsel for the Manager purport to have acted for the Subscribers nor to have conducted any investigation or review on their behalf.

(vi) **No Guarantees or Insurance** - A mortgagor's obligations to the Corporation are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the *National Housing Act* (Canada). In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the mortgagor's borrower's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Corporation whole if and when resort is to be had thereto. Further, Preferred Shares are not "deposits" within the meaning of the *Canadian Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

(vii) **No Regulatory Review** – No securities regulatory authority or regulator has assessed the merits of the Preferred Shares or reviewed this Offering Memorandum, and purchasers under the Offering will not have the benefit of such an assessment or review.

(viii) **Non-Mortgage Investments -** In addition to investing in mortgages, the Corporation may invest in other investments as permitted under the Tax Act. The Tax Act requires a MIC to have at least 50% of its assets invested in houses (as defined in section 2 of the *National Housing Act*) or on property included within a housing project (as defined in that section), therefore the Corporation has discretion to invest in investments outside of mortgages, including but not limited to promissory notes, debentures or other such securities. The 'non-mortgage' investments may or may not be secured and may carry a greater risk than investing in mortgages.

(b) **Corporation Risk** - Risks that are specific to the Corporation include the following:

(i) **Qualification as a MIC** - As a company qualified as a MIC, the Corporation may deduct taxable dividends it pays from its income, and the normal gross-up and dividend tax credit rules will not apply to dividends paid by the Corporation on the Preferred Shares. Rather, the dividends will be taxable in the hands of shareholders as if they had received an interest payment. If for any reason the Corporation ceases to qualify as a MIC, the income tax considerations describe above under the heading "Canadian Income Tax Consequences and RRSP Eligibility" would be materially and adversely different in certain respects. Among other things, if the Corporation did not qualify as a MIC through a particular taxation year, the dividends paid by the Corporation on the Preferred Shares would cease to be deductible from the income of the Corporation for that year and the dividends it pays on the Preferred Shares would be subject to the normal gross-up and dividend tax credit rules. In addition, the Preferred Shares might cease to be qualified investments for trusts governed by RRSPs, deferred profit sharing plans and registered retirement income funds, with adverse tax implications.

(ii) **Key Personnel** - The operations of the Corporation and the Manager are highly dependent upon the continued support and participation of their key personnel. The loss of their services may materially affect the timing or the ability of the Corporation to implement its business plan.

Since the Corporation's day-to-day activities are managed and administered exclusively by the Manager, the Corporation is exposed to adverse developments in the business and affairs of the Manager, to the Manager's management and financial strength, to the Manager's ability to operate its business profitably and to the ability of the Manager to retain any required licenses issued to it. The termination of the Management Agreement could have a material adverse effect on our business, financial condition and results of operations.

The management teams of the Corporation and the Manager consist of several key people. In order to manage the Corporation and the Manager successfully in the future, it may be necessary to further strengthen their management teams. The competition for such key 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 Corporation's business, financial condition, and results of operations.

(iii) **Debt financing risk** – The Corporation's indebtedness under the Credit Facility is repayable upon demand by the lender. If the Corporation 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 Corporation, including its mortgage portfolio, entitling the lender to seize such assets in the event of the Corporation's default. The failure of the Corporation to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could have a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Preferred Shares.

(iv) **Investment and Operational Policy Changes** – The Manager may change the investment and operational policies of the Corporation without the consent of Shareholders which could result in investments that are different than the targeted investments as described in the Offering Memorandum. A change in the investment strategy may cause a change in the risks of the portfolio and could materially affect the operations and financial conditions of the Corporation.

(v) **Portfolio Allocation** – The Corporation's investment performance depends upon how its investments are allocated and reallocated. There is a risk that the Manager may make less

than optimal or poor asset allocation decisions. The Manager employs an active approach to make opportunistic investments, but there is no guarantee that such investment techniques will produce the desired results. It is possible that the Manager will focus on an investment that performs poorly or underperforms other investments under various market conditions. There can also be no assurance that the Manager will be able to acquire sufficient investments to create diversification in the Corporation's investment portfolio and as such there may be an over-allocation to certain investments. This means a single or limited number of investments could have a material impact on the performance of the Corporation.

(vi) **Interest rate risk** – To the extent that the Corporation borrows money under the Credit Facility or other variable rate debt, interest rates changes will result in fluctuations in the Corporation's cost of borrowing. To the extent that interest rates rise, there may be a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Preferred Shares.

(vii) **Conflicts of Interest** – The Manager is required to satisfy a standard of care in exercising its duties with respect to the Corporation. However, neither the 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 Corporation. The 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 Corporation.

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

The 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 Corporation, and the 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 Corporation as well as other mortgage lenders or investors with whom the Corporation and/or the Manager has business relations. In such cases, the Manager will follow procedures designed to ensure an appropriate allocation of available investment opportunities among the Corporation and competing investment entities, but it ultimately has sole discretion to take such action as it sees fit. Additionally, other entities managed by the Manager may participate as co-investors with the Corporation in investments. These other entities managed by the Manager may rank in a priority, *pari passu* or subordinate position to the Corporation. In respect of co-investments in mortgages, the Corporation will generally participate in a subordinate position and the other investment entities managed by the Manager will generally participate in a senior position. Such co-investments may create conflicts of interest.

Transactions between the Corporation, Manager, Administrator, and other entities managed by the Manager may be entered into without the benefit of arm's length bargaining. There can be no assurance that will result in the Corporation 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 Shareholders. Persons considering a purchase of Preferred Shares pursuant to this Offering must rely on the good faith, experience, and judgment of the Manager in resolving such conflicts of interest as may arise.

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

(viii) **Future Operations and Possible Need for Additional Funds** - The Corporation requires significant funds to carry out its business plan. In the event the Corporation is unable to raise sufficient funds by this Offering and/or future and/or other debt or equity financing, the Corporation may have insufficient funds available to it to implement its business plan, and Subscribers may receive no return on their Preferred Shares. Certain uninsurable or uninsured events may also occur which can substantially reduce the ability of the Corporation to carry on business in a profitable manner, including natural or man-made disasters.

There can be no assurances, however, that the Corporation will generate sufficient cash flow from operations or that it will not encounter unexpected costs in connection with implementing its business plan, and as a consequence there can be no assurances that the Corporation will not require additional financing. The Corporation has no current arrangements with respect to any other additional financing, and there can be no assurance that any such additional financing can be obtained on terms acceptable to the Corporation, or at all. Failure to obtain additional financing would likely have a substantial material adverse effect on the Corporation. **Moreover, in the event the Corporation were to obtain such additional financing, it could have a dilutive effect on Subscribers' participation in the revenues generated through the Corporation's operations. Also, any security granted to a creditor by the Corporation would rank ahead of the claims of any Preferred Shareholder.**

(ix) **Litigation Risk** – The Corporation may, from time to time, become involved in legal proceedings in the course of business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, the Corporation may not receive payments of interest or principal on a mortgage loan that is the subject of litigation, which could affect cash flows. An unfavourable resolution of any legal proceedings could have a material adverse effect on the Corporation, its financial position and results of operations.

(c) **Industry Risk** - There are also risks faced by the Corporation because of the industry in which it operates and the current economic uncertainties. Real estate investment is subject to significant uncertainties due, among other factors, to uncertain costs of construction, development and financing, uncertainty as to the ability to obtain required licenses, permits and approvals, and fluctuating demand for developed real estate. The anticipated higher returns associated with the Corporation's mortgages reflect the greater risks involved in making these types of loans as compared to long-term conventional mortgages. Inherent in these loans are completion risks as well as financing risks. In addition, prospective Subscribers should take note of the following:

(i) **Credit Risk** - The Corporation provides financing to borrowers who may not meet financing criteria for conventional mortgages from institutional sources and, as a result, these investments generally earn a higher rate of return than what institutional lenders may receive. Credit risk is the risk that the borrower will fail to discharge the obligation causing the Corporation to incur a financial loss. The Corporation will try to minimize its credit risk primarily by ensuring that the collateral value of the security fully protects both first, second and third mortgage advances, that there is a viable exist strategy for each loan, and that loans are made to experienced developers and owners. In addition, the Corporation intends to limit the concentration of risk by diversifying its mortgage portfolio by way of

locations, property type, maximum loan amount on any one property and maximum loan amount to any one borrower.

(ii) **Insurance** - The Corporation's mortgages will not usually be insured in whole or in part. As well, there are certain inherent risks in the real estate industry, some of which the Corporation may not be able to insure against or which the Corporation may elect not to insure due to the cost of such insurance. The effect of these factors cannot be accurately predicted.

(iii) **Priority** - Financial charges for construction and other financing funded by conventional third party lenders may rank in priority to the mortgages registered in favour of the Corporation. In the event of default by the mortgagor under any prior financial charge, the Corporation may not recover any or all of the monies advanced under foreclosure proceedings.

(iv) **Default** - If there is default on a mortgage, it may be necessary for the Corporation, in order to protect the investment, to engage in foreclosure or sale proceedings and to make further outlays to complete an unfinished project or to maintain prior encumbrances in good standing. In those cases, it is possible that the total amount recovered by the Corporation may be less than the total investment, resulting in loss to the Corporation. Equity investments in real property may involve fixed costs in respect of mortgage payments, real estate taxes, and maintenance costs, which could adversely affect the Corporation's income.

(v) **Yield** - The yields on real estate investments, including mortgages, depend on many factors including economic conditions and prevailing interest rates, the level of risk assumed, conditions in the real estate industry, opportunities for other types of investments, legislation, governmental regulation and tax laws. The Corporation cannot predict the effect that such factors will have on its operations.

(vi) **Competition** - The earnings of the Corporation depend on the Corporation's ability, with the assistance of the Manager, to locate suitable opportunities for the investment and re-investment of the Corporation's funds and on the yields available from time to time on mortgages and other investments. The investment industry in which the Corporation operates is subject to a wide variety of competition from private businesses in Canada and the United States, many of whom have greater financial and technical resources than the Corporation. Such competition, as well as any future competition, may adversely affect the Corporation's success in the marketplace. There is no assurance that the Corporation will be able to successfully maintain its business plan or operate profitably. Existing competitors may have greater financial, managerial and technical resources, and name recognition than the Corporation. Competitors may reduce the interest rates they charge, resulting in a reduction of the Corporation's share of the market, reduced interest rates on loans, and reduced profit margins.

(vii) **Interest rates** - It is anticipated that the value of the Corporation's investment portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Corporation's income will consist primarily of interest payments on the mortgages comprising the Corporation's investment portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Corporation's mortgage assets are based), the Corporation may find it difficult to make a mortgage loan bearing acceptable rates. 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 Corporation's business, financial condition and results of operations which in turn may adversely affect the Corporation's ability to perform its obligations and its ability to maintain dividends on the Preferred Shares at a consistent and desirable level. Due to the term of the mortgages made by the Corporation and the inability to accurately predict the extent to which the Corporation's mortgages may be prepaid, it is possible that the Corporation may not be

able to sufficiently reduce interest rate risk associated with the replacement of such mortgages through new investments in mortgages.

(viii) **Property values** - Even though the mortgages within the Corporation's portfolio will be secured by real property, the value of that real property may 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, vacancy rates, operating expenses and other factors. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. While independent appraisals may be provided before the Corporation, on the advice of the Manager, makes a mortgage investment, the appraised values, even they are 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.

(ix) **Environmental liability** - Under various laws, the Corporation 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 Corporation has exercised its right of re-entry or foreclosure or has otherwise assumed the occupation of the property. While the Corporation 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 Corporation does not systematically obtain environmental audits of all properties subject to mortgages.

(x) **Mortgage renewals** - There cannot be any assurances that any of the mortgages within the Corporation's portfolio from time to time can or will be renewed at the same interest rate and terms at maturity. It is possible that the mortgagor, the mortgagee, or both will choose not to renew such mortgage. Even if the mortgages are renewed, the principal balance of such renewals, the interest rates, the term and conditions will be subject to negotiations between the mortgagor(s), the mortgagee, and the Manager at the time of renewal.

(xi) **Concentration / Portfolio allocation** - The allocation of mortgage investments in the Corporation's loan portfolio may change by geographic region, type of property and size of mortgage. This will result in the mortgage portfolio being more or less diversified from time to time. The shift of asset allocation may increase or decrease the Corporation's exposure to the constantly changing economic conditions. Also, investments in mortgages are relatively illiquid. Such illiquidity tends to limit the Company's ability to vary its Portfolio promptly in response to changing economic or investment conditions.

(xii) **Change in Legislation** – There can be no assurance that certain laws applicable to the Corporation, including Canadian federal and provincial income tax legislation, commodity and sales tax legislation, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the Corporation or fundamentally alter the tax consequences to Shareholders acquiring, holdings or disposing of the Preferred Shares.

(d) **International Trade Policies** – The Corporation's business, operations and financial condition could be materially adversely affected by changes to international trade policies, including the implementation of significant tariffs on Canada by the United States and other foreign governments.

Such changes to international trade policies can lead to economic uncertainty, layoffs, supply chain disruptions and higher costs of living, which could result in economic slowdowns or recessions on the macroeconomic level, possibly on a global scale.

In such circumstances, Canadian real estate market activity could be curtailed, and property prices could drop. 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.

(e) **Public Health Crises Risks** - The Corporation'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 recent outbreak of COVID-19.

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 Corporation 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.

ITEM 10 REPORTING OBLIGATIONS

The Corporation 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 Corporation make disclosure of its affairs, including, without limitation, the prompt notification of material changes by way of press releases and formal filings.

The Corporation 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 to the prospectus requirements of applicable securities laws. The Corporation makes available to Shareholders audited annual financial statements for the Corporation and such other reports and information as the Manager may determine.

The Manager will send to Shareholders on an annual basis account statements showing the total number of Shares held and the amount of dividends distributed to the Shareholder in the preceding year (or additional shares if dividends are reinvested), along with the Manager's market update and commentary. The Corporation's annual financial statements will be made available to Shareholders.

ITEM 11 RESALE RESTRICTIONS

11.1 *General Statement*

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.

11.2 *Restricted Period – For trades in British Columbia, Alberta, Saskatchewan, Ontario, New Brunswick, Nova Scotia, and Prince Edward Island*

Unless permitted under Securities Legislation, you cannot trade the securities before the date that is four (4) months and a day after the date the Corporation becomes a reporting issuer in any province or territory of Canada.

11.3 *Restricted Period – For trades in Manitoba*

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

(a) The Corporation has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or

(b) You have held the securities for at least 12 months.

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

ITEM 12 PURCHASER'S RIGHTS

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

The descriptions below are summaries only, and are subject to, and qualified in their entirety by, the express provisions of the securities legislation of the applicable provinces and the rules, regulations and other instruments thereunder. Reference should be made to the complete text of such provisions. Such provisions may contain limitations and statutory defenses.

The rights of action described herein are in addition to and without derogation from any other right or remedy which you may have at law.

12.1 *Two Day Cancellation Right*

You can cancel your agreement to purchase these Preferred Shares. To do so, you must send a notice to the Manager by midnight on the second Business Day after you sign the agreement to buy the Preferred Shares.

12.2 *Statutory Rights of Action in the Event of a Misrepresentation*

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 and, in some cases, advertising and sales material used in connection therewith, contains a "misrepresentation", as defined in the applicable securities legislation. A "**misrepresentation**" is generally defined under applicable provincial securities laws 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 and are subject to limitations and defenses under applicable securities legislation.

The following summaries are subject to the express provisions of the securities legislation applicable in each of the provinces of Canada (except Quebec and Newfoundland and Labrador) and the regulations, rules and policy statements thereunder. Subscribers should refer to the securities legislation applicable in their province along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor.

The contractual and statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy that subscribers may have at law.

12.3 *Investors in Alberta*

The right of action for damages or rescission described herein is conferred by section 204 of the *Securities Act* (Alberta) (the "**Alberta Act**"). The Alberta Act provides, in relevant part, that if this Offering Memorandum

contains a misrepresentation, as defined in the Alberta Act, you have a statutory right to sue (a) the Corporation to cancel your agreement to buy these securities, or (b) for damages against (i) the Corporation; (ii) every director of the Corporation at the date of the Offering Memorandum; and (iii) every person or company who signed the Offering Memorandum; provided, however, that if you elect to sue the Corporation to cancel your subscription, you will have no right to sue the aforementioned persons for damages. This statutory right to sue is available to you whether or not you relied on the misrepresentation.

The Alberta Act provides various defences to the persons or companies that you have a right to sue. In particular, they have a defence:

(a) they prove that the purchaser purchased the securities with knowledge of the misrepresentation;

(b) they prove that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Executive Director (as such term is defined in the Alberta Act) and the Corporation that it was sent without the knowledge and consent of the person or company;

(c) they prove that the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the Executive Director (as such term is defined in the Alberta Act) and the Corporation of the withdrawal and the reason for it;

(d) if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that: (i) there had been a misrepresentation; or (ii) the relevant part of the offering memorandum: (A) did not fairly represent the report, opinion or statement of the expert; or (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or

(e) if, with respect to any part of the document not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, after conducting a reasonable investigation, the person or company had no reasonable grounds to believe, and did not believe, that there was a misrepresentation.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of: (i) 180 days after the date that you first had knowledge of the facts giving rise to the cause of action, or (ii) 3 years of the date of the transaction that gave rise to the cause of action.

12.4 *Investors in British Columbia*

The right of action for damages or rescission described herein is conferred by section 132.1 of the *Securities Act* (British Columbia) (the "**BC Act**"). The BC Act provides, in relevant part, that if this Offering Memorandum contains a misrepresentation, as defined in the BC Act, you have a statutory right to sue (a) the Corporation to cancel your agreement to buy these securities, or (b) for damages against (i) the Corporation; (ii) every director of the Corporation at the date of the Offering Memorandum; and (iii) every person or company who signed the Offering Memorandum; provided, however, that if you elect to sue the Corporation to cancel your agreement to buy these securities, you will have no right to sue the aforementioned persons for damages. This statutory right to sue is available to you whether or not you relied on the misrepresentation.

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

(a) if they prove that the purchaser had knowledge of the misrepresentation;

(b) if they prove that the offering memorandum was delivered to purchasers without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the Corporation that it was sent without the person's knowledge or consent;

(c) if they prove that on becoming aware of the misrepresentation in the offering memorandum, the person withdrew the person's consent to the offering memorandum and gave written notice to the Corporation of the withdrawal and the reason for it; or

(d) with respect to any part of the offering memorandum purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that: (i) there had been a misrepresentation; or (ii) the relevant part of the offering memorandum: (A) did not fairly represent the report, opinion or statement of the expert; or (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

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

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security resulting from the misrepresentation. The amount recoverable by a plaintiff in any action for misrepresentation must not exceed the price at which the securities were offered under the offering memorandum.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of: (i) 180 days after the date that you first had knowledge of the facts giving rise to the cause of action, or (ii) 3 years of the date of the transaction that gave rise to the cause of action.

12.5 *Investors in Manitoba*

The right of action for damages or rescission described herein is conferred by section 141.1 of the *Securities Act* (Manitoba) (the "**Manitoba Act**"). The Manitoba Act provides, in relevant part, that if this Offering Memorandum contains a misrepresentation, you have a statutory right to sue (a) the Corporation to cancel your agreement to buy these securities while you are still an owner of the securities, or (b) for damages against (i) the Corporation; (ii) every director of the Corporation at the date of the Offering Memorandum; and (iii) every person or company who signed the Offering Memorandum; provided, however, that if you elect to sue the Corporation to cancel your agreement to buy these securities, you will have no right to sue the aforementioned persons for damages. This statutory right to sue is available to you whether or not you relied on the misrepresentation.

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

(a) they prove that the purchaser purchased the security with knowledge of the misrepresentation;

(b) they prove that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;

(c) they prove that after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;

(d) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, if the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a misrepresentation; or (ii) the relevant part of the offering memorandum (A) did not fairly represent the expert's report, opinion, or statement; or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or

(e) with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed that there had been a misrepresentation.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of: (i) 180 days after the date that you first had knowledge of the facts giving rise to the cause of action, or (ii) 2 years of the date of the transaction that gave rise to the cause of action.

12.6 ***Investors in New Brunswick***

The right of action for damages or rescission described herein is conferred by section 150 of the *Securities Act* (New Brunswick) (the "**New Brunswick Act**"). The New Brunswick Act provides, in relevant part, that if this Offering Memorandum contains a misrepresentation, you have a statutory right to sue: (a)(i) the Corporation or (ii) any selling security holder on whose behalf the distribution is made, as applicable, to cancel your agreement to buy these securities; or (b) for damages against (i) the Corporation, (ii) any selling security holder on whose behalf the distribution is made, (iii) every person who was a director of the Corporation at the date of the Offering Memorandum, and (iv) every person who signed the Offering Memorandum. This statutory right to sue is available to you whether or not you relied on the misrepresentation.

The New Brunswick Act provides various defences to the persons or companies that you have a right to sue. In particular, they have a defence if:

(a) they prove that the purchaser purchased the security with knowledge of the misrepresentation;

(b) they prove that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave written notice to the issuer that it was sent without the person's or company's knowledge and consent;

(c) they prove that after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave written notice to the issuer of the withdrawal and the reason for the withdrawal;

(d) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation or that the part of the offering memorandum

did not fairly represent the report, opinion or statement of the expert or was not a fair copy of, or extract from, the report, opinion or statement of the expert;

(e) with respect to any part of an offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert unless the person (i) failed to conduct such reasonable investigation as to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed that there had been a misrepresentation.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of: (i) 1 year after the date that you first had knowledge of the facts giving rise to the cause of action, or (ii) 6 years of the date of the transaction that gave rise to the cause of action.

12.7 ***Investors in Nova Scotia***

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) (the "**Nova Scotia Act**"). The Nova Scotia Act provides, in relevant part, that if this Offering Memorandum or any "advertising or sales literature" (as such term is defined in the Nova Scotia Act) contains a misrepresentation, you have a statutory right to sue (a) the Corporation to cancel your agreement to buy these securities while you are still an owner of the securities, or (b) for damages against (i) the Corporation; (ii) every Director at the date of the Offering Memorandum; and (iii) every person or company who signed the Offering Memorandum; provided, however, that if you elect to sue the Corporation to cancel your agreement to buy these securities, you will have no right to sue the aforementioned persons for damages. This statutory right to sue is available to you whether or not you relied on the misrepresentation.

The Nova Scotia Act provides various defences to the persons or companies that you have a right to sue. In particular, they have a defence if:

(a) they prove that the purchaser purchased the securities with knowledge of the misrepresentation;

(b) they prove that the offering memorandum or any amendment thereto was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(c) they prove that after delivery of the offering memorandum or any amendment thereto and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or amendment thereto the person or company withdrew the person's or company's consent to the offering memorandum or any amendment thereto, and gave reasonable general notice of the withdrawal and the reason for it;

(d) with respect to any part of the offering memorandum or any amendment thereto purporting (i) to be made on the authority of an expert; or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation; or (B) the relevant part of the offering memorandum or any amendment thereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or

(e) with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed there had been a misrepresentation.

In the case of an action for damages, no person will be liable for all or any portion of the damages that they prove do not represent the depreciation in value of the securities as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum or amendment thereto.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within the earliest of (i) 180 days after the date of the transaction that gave rise to the cause of action, and (ii) 120 days after the date on which payment was made for the securities or after the date on which the initial payment for the securities was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment. You must commence your action for damages within the earlier of: (i) 180 days after the date that you first had knowledge of the facts giving rise to the cause of action, or (ii) 3 years of the date of the transaction that gave rise to the cause of action.

12.8 *Investors in Ontario*

The right of action for damages or rescission described herein is conferred by section 130.1 of the *Securities Act* (Ontario) (the "**Ontario Act**"). The Ontario Act provides, in relevant part, that if this Offering Memorandum contains a misrepresentation, you have a statutory right to sue the Corporation and any selling security holder on whose behalf the distribution is made to cancel your agreement to buy these securities, or for damages; provided, however, that if you elect to sue the Corporation to cancel your agreement to buy these securities, you will have no right to sue the aforementioned persons for damages. This statutory right to sue is available to you whether or not you relied on the misrepresentation.

The Ontario Act provides various defences to the persons or companies that you have a right to sue. In particular, they have a defence if they prove that the purchaser purchased the securities with knowledge of the misrepresentation.

The issuer and the selling security holders, if any, will not be liable for a misrepresentation in "forward looking information", as such term is defined under applicable Canadian securities laws, if they prove that:

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

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

The issuer and the selling security holders, if any, will not be liable for all or any portion of damages that they prove do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon. In no case shall the amount recoverable exceed the price at which the securities were offered.

The rights referred to in (a) and (b) described above do not apply where this Offering Memorandum is delivered to a prospective purchaser in connection with a distribution made in reliance on the exemption from the prospectus requirement in section 73.3 of the Ontario Act (the "accredited investor exemption") if the purchaser is:

(a) a Canadian financial institution, meaning either (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been

made under that Act; or (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

(c) the Business Development Bank of Canada incorporated under the Business Development *Bank of Canada Act* (Canada); or

(d) a subsidiary of any of the foregoing, if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of: (i) 180 days after the date that you first had knowledge of the facts giving rise to the cause of action, or (ii) 3 years of the date of the transaction that gave rise to the cause of action.

12.9 *Investors in Prince Edward Island*

The right of action for damages or rescission described herein is conferred by section 112 of the *Securities Act* (Prince Edward Island) (the "**PEI Act**"). The PEI Act provides, in relevant part, that if this Offering Memorandum contains a misrepresentation, you have a statutory right to sue: (a) the Corporation to cancel your agreement to buy these securities; or (b) for damages against (i) the Corporation, (ii) any selling security holder on whose behalf the distribution is made, (iii) every person who was a director of the Corporation at the date of the Offering Memorandum, and (iv) every person who signed the Offering Memorandum. This statutory right to sue is available to you whether or not you relied on the misrepresentation.

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

(a) they prove that the purchaser purchased the security with knowledge of the misrepresentation;

(b) they prove that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave written notice to the issuer that it was sent without the person's or company's knowledge and consent;

(c) they prove that after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave written notice to the issuer of the withdrawal and the reason for the withdrawal;

(d) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation or that the part of the offering memorandum did not fairly represent the report, opinion or statement of the expert or was not a fair copy of, or extract from, the report, opinion or statement of the expert;

(e) with respect to any part of an offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert unless the person (i) failed to conduct such reasonable investigation as to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed that there had been a misrepresentation.

Any person, including the Corporation, will not be liable for a misrepresentation in forward-looking information (as defined in the PEI Act) if the person proves that (a) this Offering Memorandum, or any amendment thereto, contained, proximate to the forward-looking information, (i) reasonable cautionary language identifying the forward-looking information as such, and (ii) identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and (b) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and (c) the person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information; provided, however, that the foregoing does not relieve a person of liability with respect to forward-looking information in a financial statement required to be filed under Prince Edward Island securities laws.

In the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation. In no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of: (i) 180 days after the date that you first had knowledge of the facts giving rise to the cause of action, or (ii) 3 years of the date of the transaction that gave rise to the cause of action.

12.10 ***Investors in Saskatchewan***

The right of action for damages or rescission described herein is conferred by section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "**Saskatchewan Act**"). The Saskatchewan Act provides, in relevant part, that if this Offering Memorandum or any amendment thereto, is sent or delivered to you and it contains a misrepresentation, and you purchase a security covered by this Offering Memorandum any amendment thereto:

(a) a right of action for damages or rescission against the Corporation or the selling security holder on whose behalf the distribution is made;

(b) a right of action for damages against every promoter and Director at the time the Offering Memorandum or any amendment thereto was sent or delivered;

(c) a right of action for damages against every person or company whose consent has been filed respecting the Offering, but only with respect to reports, opinions, or statements that have been made by them;

(d) a right of action for damages against every person or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the Offering Memorandum or any amendment thereto; and

(e) a right of action for damages against every person or company that sells securities on behalf of the Corporation under the Offering Memorandum or any amendment thereto;

provided, however, that if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party. This statutory right to sue is available to you whether or not you relied on the misrepresentation.

Such rights of action for damages or rescission are subject to certain limitations including the following:

(a) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she, or they prove do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;

(b) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment thereto not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation,

(c) in no case shall the amount recoverable exceed the price at which the securities were offered; and

(d) no person or company is liable in an action for damages or rescission if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

(a) the offering memorandum or any amendment thereto was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered;

(b) after the filing of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or the amendment to the offering memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable general notice of the person's or company's withdrawal and the reason for it;

(c) with respect to any part of the offering memorandum or any amendment thereto purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe (i) that there had been a misrepresentation, (ii) the part of the offering memorandum or any amendment thereto did not fairly represent the report, opinion, or statement of the expert; or (iii) the part of the offering memorandum or of the amendment to the offering memorandum was not a fair copy of or extract from the report, opinion or statement of the expert;

(d) with respect to any part of the offering memorandum or of the amendment to the offering memorandum purporting to be made on the person's or company's own authority as an expert or purporting to be a copy of or an extract from the person's or company's own report, opinion or statement as an expert that contains a misrepresentation attributable to failure to represent fairly his, her or its report, opinion or statement as an expert: (i) the person or company had, after reasonable investigation, reasonable grounds to believe, and did believe, that the part of the offering memorandum or of the amendment to the offering memorandum fairly represented the person's or company's report, opinion or statement; or on becoming aware that the part of the offering memorandum or of the amendment to the offering memorandum did not fairly represent the person's or company's report, opinion or statement as an expert, the person or company immediately advised the Financial and Consumer Affairs Authority of Saskatchewan and gave reasonable general notice that such use had been made of it and that the person or company would not be responsible for that part of the offering memorandum or of the amendment to the offering memorandum.

Furthermore, no person or company, other than the Corporation, will be liable with respect to any part of the offering memorandum or any amendment thereto not purporting (a) to be made on the authority of an expert; or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed that there had been a misrepresentation. If a misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or any amendment thereto, the misrepresentation is deemed to be contained in the offering memorandum or any amendment thereto.

The Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either

before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

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

Section 141(2) of the Saskatchewan Act also provides a right of action for damages or rescission to a purchaser of securities to whom an offering memorandum or any amendment thereto was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by section 80.1 of the Saskatchewan Act.

If you intend to rely on the rights described above, you must do so within strict time limitations. You must commence your action for rescission within 180 days after the date of the transaction that gave rise to the cause of action. You must commence any action other than an action for rescission, within: (i) 1 year after you first had knowledge of the facts giving rise to the cause of action; or (ii) 6 years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act with a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two Business Days of receiving the amended offering memorandum.

ITEM 13 FINANCIAL STATEMENTS

The audited financial statements of the Corporation for the financial years ended October 31, 2025 and October 31, 2024, follow this page.

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RESCO Mortgage Investment Corporation

FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2025

RESCO Mortgage Investment Corporation

Index to Financial Statements

For the year ended October 31, 2025

INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Comprehensive Income and Changes in Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 15

RMR Rosenswig McRae Rosso LLP
Chartered Professional Accountants
Associated with MGI Worldwide

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

INDEPENDENT AUDITORS' REPORT

To the shareholders of RESCO Mortgage Investment Corporation,

Opinion
We have audited the financial statements of RESCO Mortgage Investment Corporation ("the Corporation") which comprise the statement of financial position as at October 31, 2025, and the statements of comprehensive income and changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at October 31, 2025 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 Corporation 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Corporation'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.

We also:

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

• 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 Corporation'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 Corporations'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 Corporation 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.

RMR Rosenswig McRae Rosso LLP

Toronto, Ontario
February 26, 2026

Chartered Professional Accountants
Licensed Public Accountants

RESCO Mortgage Investment Corporation

Statement of Financial Position

As at October 31, 2025

	2025 $	2024 $
ASSETS		
Cash	2,243,314	-
Prepaid expenses	30,737	28,777
Accounts receivable (note 8)	160,000	181,761
Mortgages receivable (note 9)	68,558,382	74,798,318
	70,992,433	**75,008,856**
LIABILITIES		
Bank indebtedness (note 10)	-	3,951,193
Accounts payable and accrued liabilities	365,246	449,513
Class B preferred shares (note 12)	70,514,911	70,176,333
	70,880,157	74,577,039
SHAREHOLDERS' EQUITY		
Common shares (note 12)	10,000	10,000
Retained earnings	102,276	421,817
	112,276	431,817
	70,992,433	**75,008,856**

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

Approved on behalf of the Board:

Director

Director

RESCO Mortgage Investment Corporation

Statement of Comprehensive Income and Changes in Equity

For the year ended October 31, 2025

	2025 $	2024 $
Revenues		
Mortgage interest	6,906,779	7,711,307
Other income	914,528	836,557
	7,821,307	8,547,864
Operating expenses		
Dividends on Class B Preferred Shares (note 11)	5,775,166	5,543,770
Management fees (note 7)	849,945	909,709
Mortgage losses	651,958	391,086
Amortization of issuance costs	498,260	508,963
Interest on loan	209,571	1,097,629
Bank charges	62,197	45,329
Audit and accounting fees	43,305	44,915
Insurance	23,063	21,777
Office expenses	13,786	11,561
Regulatory fees	6,930	7,409
Legal fees	6,667	7,115
	8,140,848	8,589,263
Net comprehensive loss for the year	**(319,541)**	**(41,400)**
Opening retained earnings	421,817	463,217
Closing retained earnings	**102,276**	**421,817**

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

RESCO Mortgage Investment Corporation

Statement of Cash Flows

For the year ended October 31, 2025

	2025 $	2024 $
Cash flows from operating activities		
Net comprehensive loss for the year	(319,541)	(41,400)
Adjustments to reconcile net income to cash flows from operating activities:		
Decrease in mortgage interest receivable	288,830	344,499
Increase in prepaid expenses	(1,960)	(16,785)
Decrease in accounts payable and accrued liabilities	(84,267)	(9,116)
Cash (used in) provided by operating activities	(116,938)	277,198
Cash flows from investing activities		
Funding of mortgages	(70,966,477)	(70,508,102)
Discharge of mortgages	76,917,583	75,281,664
Cash provided by investing activities	5,951,106	4,773,562
Cash flows from financing activities		
Proceeds from issuance of Class B Preferred Shares	7,801,604	12,259,591
Receivable from issuance of Class B Preferred Shares	21,761	(61,761)
Redemption of Class B Preferred Shares	(7,848,121)	(7,379,733)
Repayment of bank indebtedness	(3,951,193)	(10,174,482)
Share issuance costs	385,095	305,625
Cash provided by (used in) financing activities	(3,590,854)	(5,050,760)
Net increase in cash	2,243,314	-
Cash, beginning of year	-	-
Cash, end of year	**2,243,314**	-

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

1. Corporate information

The financial statements of RESCO Mortgage Investment Corporation (the "Corporation") for the year ended October 31, 2025 were authorized for issue in accordance with a resolution of the directors on February 24, 2026. The Corporation was incorporated under the Canadian Business Corporation Act on November 21, 2013.

The Corporation is a Canadian mortgage investment corporation (MIC) pursuant to the Income Tax Act (Canada) Section 130.1. The objective of the Corporation is to make prudent investments in mortgages against real property located in Canada in order to generate sustainable and stable income while preserving investment capital for shareholders.

The Corporation is subject to rules under the Income Tax Act (Canada) that permit the Corporation to flow-through its net income to its shareholders. The income of the Corporation for purposes of the Income Tax Act (Canada) includes interest earned and the taxable portion of any net realizable capital gains. The Corporation, in computing its taxable income, is generally entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year. Dividends other than capital gains dividends, which are paid by the Corporation to shareholders, will be included in shareholders' income as interest income.

The Corporation conducts its mortgage lending activities on properties located in Canada, primarily in the Province of Ontario, Manitoba and Alberta. The registered office of the Corporation is 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7.

2. 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 Corporation.

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 Corporation is required to make estimates relating to the fair value determination of mortgage 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 of 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 uncertainly of predictions concerning future events.

2. Basis of presentation (continued)

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.

Expected credit losses on mortgage receivables

The Corporation assesses the impairment and extent of losses on mortgages at each reporting date, and records a provision for mortgage losses accordingly. Judgement by management is required in assessing where there had been a significant increase in credit risk of 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. Material 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 Corporation'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 Corporation 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 as loan delinquency.

3. Material 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 Corporation 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.

Preferred shares

Class B preferred shares are classified as a liability. Costs directly related to the issuance of the preferred shares are recognized as a deduction from the liability, net of any tax effects.

Income taxes

The Corporation qualifies as a MIC under the Income Tax Act, and as such is not taxed on income provided that its taxable income is distributed to its shareholders in the form of dividends within 90 days after December 31 each year. Accordingly, no provision for current or future income taxes is required unless the Corporation elects to retain income. As at the year end, the Corporation has non-capital losses of $1,364,175 (2024 - $1,243,074) available for carryforward, which expire between 2038 to 2042.

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.

3. Material 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 year in respect to bad or doubtful debts from related parties.

4. Future changes in accounting policies

The Corporation regularly assesses the impact of new IFRS standards, changes in existing standards or new interpretations that have been issued but are not yet effective. Relevant standards issued but not yet adopted at the date of issuance of these financial statements are described below:

In May 2024, the International Accounting Standards Board ("IASB") issued amendments to IFRS 9, Financial Instruments (IFRS 9), which introduced additional guidance in two areas. The first relates to financial assets with contingent features and when these features can be considered consistent with a basic lending arrangement, in which case the instrument can be measured at amortized cost. The second relates to the timing of derecognition of financial liabilities when payment takes place through an electronic payment system and certain conditions are met. These amendments will be effective for the fiscal year beginning November 1, 2026. The Corporation is currently assessing the impact of these amendments on the financial statements.

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18"). IFRS 18 replaces IAS 1 Presentation of Financial Statements and sets out requirements for the presentation and disclosure of information in the primary financial statements and notes. The standard applies to annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively, with early adoption permitted. The Corporation is currently assessing the impact of the new standard on the financial statements.

5. Determination of fair values

The Corporation's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements. The Corporation classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the 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 judgement 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. 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 mortgage receivable. The discounted cash flow analysis assumed that all mortgages will be held until maturity. Given the short-term nature of the Corporation's mortgage receivables, generally the fair values approximate their carrying values.

6. Financial risk management

Overview

The Corporation'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;
iv. operational risk;
v. interest rate risk; and
vi. capital risk.

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

The Corporation employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Corporation's business objectives and risk tolerance levels. While the directors have 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 Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation'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:

	2025	2024
Accounts receivable	$ 160,000	$ 181,720
Mortgages receivable	68,558,382	74,798,318
	$ 68,718,382	$ 74,980,038

Mortgages receivable are issued to borrowers who must pass a credit check. Credit risk is reduced by ensuring that appraisals are completed and loan to value are maintained in accordance with the Corporation's policies.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. Liquidity risk is managed by ensuring that the projected repayments under the existing investment portfolio exceeds projected needs.

The obligations for future advances under the Corporation's investment portfolio are anticipated to be funded from existing cash, mortgage interest, borrower repayments and future issuance of preferred shares.

As at October 31, 2025, management considers that the Corporation does not have significant exposure to liquidity risk.

Market risk

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

6. Financial risk management (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation'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 behaviour. The Corporation manages its operational risk by setting appropriate policies related to human resources, technology, regulatory compliance, and other factors.

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 Corporation is exposed to interest rate risk on balance, if any, drawn from its credit facility.

The Corporation had no interest rate swaps or financial contracts in place as at or during the year ended October 31, 2025.

Capital risk management

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

7. Related party transactions

Radiance Mortgage Brokerage Inc. ("Radiance"), a related party by virtue of common management, acts as the Mortgage Broker to the Corporation. 5C Capital Inc. ("5C Capital"), a related party by virtue of common management, acts as the Mortgage Administrator to the Corporation. The directors of the related parties are the same individuals as the directors of the Corporation.

The Corporation entered into a Management Service Agreement with Radiance effective November 21, 2013. The agreement provides for Radiance to provide a wide range of services including, but not limited to, overseeing and managing the Corporation’s investment portfolio. Radiance receives a fee from the Corporation equal to 1% per annum of the book value of the total assets of the Corporation.

The Corporation entered into an Administration Agreement with 5C Capital effective November 21, 2013. The agreement provides for 5C Capital to provide mortgage administrative services including but not limited to the administration of mortgage loans and collecting all amounts due from borrowers of the Corporation. The terms of that agreement provide that 5C Capital will collect a fee of 0.33% of the mortgages under administration. The agreement is structured so that the fee is included in the 1% mentioned in the preceding paragraph.

During the year, the Corporation paid fees of $849,945 (2024 - $909,709) to Radiance Mortgage Brokerage Inc. Included in accounts payable is an amount due to Radiance Mortgage Brokerage of $68,398 (2024 - $72,445). These transactions were conducted by the Corporation in the normal course of business.

8. Accounts receivable

Accounts receivable consists of funds receivable from new shareholders whose Class B share subscriptions closed on October 31, 2025. These funds are held in trust by a third party and becomes due to the Corporation upon the closing of the new subscriptions. The funds were disbursed to the Corporation in November 2025.

9. Mortgages receivable

The following is a breakdown of the mortgages receivable as at October 31:

	2025	2024
First mortgages	$ 52,912,710	$ 52,164,116
Non-first mortgages	15,379,060	22,078,760
	68,291,770	74,242,876
Interest receivable	1,011,833	1,008,288
Provision for mortgage losses	(478,228)	(150,000)
Provision for interest receivable	(266,993)	(302,846)
Total mortgages receivable	$ 68,558,382	$ 74,798,318

Non-first mortgages are loans with mortgage charges not registered in first priority with estimated loan-to-value ratios not exceeding 85% at inception of the mortgage. All mortgages are secured by residential properties in Canada. Of the total mortgages, $8,935,464 or 14% of the total, are in arrears more than 60 days. A provision of $478,228 has been recorded for mortgage losses, along with $266,993 related to interest receivable.

Broken down into the three-stages per the impairment model, mortgages receivable and provision for mortgage losses are as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross mortgages receivable, at amortized cost	$ 58,620,576	$ 4,761,957	$ 4,909,237	$ 68,291,770
Provision for mortgage losses	-	-	(478,228)	(478,228)
	$ 58,620,576	$ 4,761,957	$ 4,431,009	$ 67,813,542

The loans in the investment portfolio bear interest at the weighted average rate of 9.72%. Approximately 100.00% in Ontario, Canada, when measured by loan amount. There are no further commitments to fund additional mortgages as at October 31, 2025. All mortgages have principal repayments due upon contractual maturity in 2026 and 2027.

During 2025, no transaction costs were incurred by the Corporation in the mortgage transactions.

Related Parties, including directors and common shareholders of the Corporation and related corporations held $1,080,000 in mortgages as at October 31, 2025.

10. Bank indebtedness

The Corporation has a revolving credit facility with the Bank of Montreal with an authorized limit of $50,000,000. The facility is secured by a general security agreement and an unlimited blanket assignment of mortgages signed by the Corporation in favour of the bank. External counsel has issued an opinion letter confirming that the Corporation's Preferred Shares are ranked behind bank debt and that the bank has the ability to redirect mortgage payments from the Corporation to the bank.

As a condition of maintaining the revolving credit facility, the Corporation has to meet certain covenants. As at year-end, Corporation was in compliance with these covenants, but has no amount outstanding on the revolving credit.

The facility can be drawn down as a revolving Prime Rate Loan at variable interest rate of Prime + 0.9%, or as fixed interest rates with 30 to 90-day terms. The facility was drawn upon and repaid at various times throughout the reporting period. Subsequent to the year end, the Corporation has drawn $9,990,000 on this facility to finance its operations and the Corporation was in compliance with its covenants.

11. Dividends

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

In fiscal year 2025, the Corporation declared dividends of $5,775,166 (2024 - $5,543,770) to its shareholders.

12. Share capital

As at October 31, 2025, the Corporation was authorized to issue the following:

Unlimited number of Class A Common Shares
Unlimited number of Class B Preferred Shares

The Corporation has an optional dividend reinvestment plan (DRIP) for preferred shareholders, whereby participants may reinvest cash dividends in additional preferred shares of the Corporation at the current share price as at the date of conversion. Class B Preferred Shares issued under the DRIP are issued by the Corporation from its treasury.

The following Class A Common Shares were issued and outstanding as at October 31, 2025:

	# Shares	Amount
Balance, beginning of year	10,000	$ 10,000
New shares issued during the year	-	-
Balance, end of year	10,000	$ 10,000

The following Class B Preferred Shares were issued and outstanding as at October 31, 2025:

	# Shares	Amount
Balance, beginning of year	7,261,251	$ 72,612,512
New shares issued	522,259	5,222,590
Dividend Reinvestment Plan	257,901	2,579,014
Redemption of shares	(784,812)	(7,848,121)
Balance, end of year	7,256,599	$ 72,565,995

Class B preferred shares consists of:

	2025	2024
Class B Preferred Shares	$ 72,565,995	$ 72,612,512
Share issuance costs	(2,051,084)	(2,436,179)
	$ 70,514,911	$ 70,176,333

The Class B Preferred Shares are recorded as liabilities as the shares provide the holders with redemption privileges. Each share is redeemable for the lesser of $10 and the net asset value per share. Most Preferred Shares are also subject to early redemption charges if redeemed within four years of issuance.

Related Parties, including directors and common shareholders of the Corporation and related corporations held 192,290 Class B preferred shares as at October 31, 2025 (2024 - 267,940)

13. Subsequent event

Effective February 24, 2026 the Corporation suspended redemptions. This is in accordance with the provisions of the Corporation's offering memorandum whereby the obligation to redeem shares is limited to 25% of the preferred shares in any given year. Subsequent to the year-end, 1,887,860 Class B preferred shares have been redeemed which represents 26% of the total at the year-end. The Corporation's funds are invested in mortgage investments which are illiquid by their nature and therefore the limit on redemptions is required in order to maintain sufficient capital to execute the business.

RESCO Mortgage Investment Corporation

FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2024

RESCO Mortgage Investment Corporation

Index to Financial Statements

For the year ended October 31, 2024

INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Comprehensive Income and Changes in Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 16

Rosenswig McRae Rosso LLP
Chartered Professional Accountants
Associated with MGI Worldwide

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

INDEPENDENT AUDITORS' REPORT

To the shareholders of RESCO Mortgage Investment Corporation,

Opinion
We have audited the financial statements of RESCO Mortgage Investment Corporation ("the Corporation") which comprise the statement of financial position as at October 31, 2024, and the statements of comprehensive income and changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at October 31, 2024 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 Corporation 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Corporation'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.

We also:

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

• 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 Corporation'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 Corporations'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 Corporation 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.

RMR Rosenswig McRae Rosso LLP

Toronto, Ontario
February 24, 2025

Chartered Professional Accountants
Licensed Public Accountants

RESCO Mortgage Investment Corporation

Statement of Financial Position

As at October 31, 2024

	2024 $	2023 $
ASSETS		
Prepaid expenses	28,777	11,992
Accounts receivable (note 8)	181,761	120,000
Mortgages receivable (note 9)	74,798,318	79,916,379
	75,008,856	**80,048,371**
LIABILITIES		
Bank indebtedness (note 10)	3,951,193	14,125,675
Accounts payable and accrued liabilities	449,513	458,629
Class B preferred shares (note 12)	70,176,333	64,990,850
	74,577,039	79,575,154
SHAREHOLDERS' EQUITY		
Common shares (note 12)	10,000	10,000
Retained earnings	421,817	463,217
	431,817	473,217
	75,008,856	**80,048,371**

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

Approved on behalf of the Board:

Director

Director

RESCO Mortgage Investment Corporation

Statement of Comprehensive Income and Changes in Equity

For the year ended October 31, 2024

	2024 $	2023 $
Revenues		
Mortgage interest	7,711,307	7,505,723
Other income	836,557	615,200
	8,547,864	8,120,923
Operating expenses		
Dividends on Class B Preferred Shares (note 11)	5,543,770	5,453,876
Interest on loan	1,097,629	888,563
Management fees (note 7)	909,709	872,611
Amortization of issuance costs	508,963	485,908
Mortgage losses	391,086	302,458
Bank charges	45,329	11,109
Audit and accounting fees	44,915	45,397
Insurance	21,777	20,791
Office expenses	11,561	14,628
Regulatory fees	7,409	6,444
Legal fees	7,115	15,553
	8,589,263	8,117,338
Net comprehensive (loss) income for the year	**(41,400)**	**3,585**
Opening retained earnings	463,217	459,632
Closing retained earnings	**421,817**	**463,217**

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

RESCO Mortgage Investment Corporation

Statement of Cash Flows

For the year ended October 31, 2024

	2024 $	2023 $
Cash flows from operating activities		
Net comprehensive (loss) income for the year	(41,400)	3,585
Adjustments to reconcile net income to cash flows from operating activities:		
Decrease (increase) in mortgage interest receivable	344,499	(212,247)
Increase in prepaid expenses	(16,785)	(382)
(Decrease) increase in accounts payable and accrued liabilities	(9,116)	43,001
Cash provided by (used in) operating activities	277,198	(166,043)
Cash flows from investing activities		
Funding of mortgages	(70,508,102)	(59,199,656)
Discharge of mortgages	75,281,664	63,677,496
Cash provided by investing activities	4,773,562	4,477,840
Cash flows from financing activities		
Proceeds from issuance of Class B Preferred Shares	12,259,591	10,233,136
Receivable from issuance of Class B Preferred Shares	(61,761)	717,467
Redemption of Class B Preferred Shares	(7,379,733)	(13,256,106)
Repayment of bank indebtedness	(10,174,482)	(2,679,325)
Share issuance costs	305,625	332,336
Cash used in financing activities	(5,050,760)	(4,652,492)
Net decrease in cash	**-**	**(340,695)**
Cash, beginning of year	**-**	**340,695**
Cash, end of year	**-**	**-**

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

1. Corporate information

The financial statements of RESCO Mortgage Investment Corporation (the "Corporation") for the year ended October 31, 2024 were authorized for issue in accordance with a resolution of the directors on February 24, 2025. The Corporation was incorporated under the Canadian Business Corporation Act on November 21, 2013.

The Corporation is a Canadian mortgage investment corporation (MIC) pursuant to the Income Tax Act (Canada) Section 130.1. The objective of the Corporation is to make prudent investments in mortgages against real property located in Canada in order to generate sustainable and stable income while preserving investment capital for shareholders.

The Corporation is subject to rules under the Income Tax Act (Canada) that permit the Corporation to flow-through its net income to its shareholders. The income of the Corporation for purposes of the Income Tax Act (Canada) includes interest earned and the taxable portion of any net realizable capital gains. The Corporation, in computing its taxable income, is generally entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year. Dividends other than capital gains dividends, which are paid by the Corporation to shareholders, will be included in shareholders' income as interest income.

The Corporation conducts its mortgage lending activities on properties located in Canada, primarily in the Province of Ontario, Manitoba and Alberta. The registered office of the Corporation is 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7.

2. 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 Corporation.

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 Corporation is required to make estimates relating to the fair value determination of mortgage 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 of 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 uncertainly of predictions concerning future events.

2. Basis of presentation (continued)

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.

Expected credit losses on mortgage receivables

The Corporation assesses the impairment and extent of losses on mortgages at each reporting date, and records a provision for mortgage losses accordingly. Judgement by management is required in assessing where there had been a significant increase in credit risk of 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 Corporation'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 Corporation 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 as loan delinquency.

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 Corporation 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.

Preferred shares

Class B preferred shares are classified as a liability. Costs directly related to the issuance of the preferred shares are recognized as a deduction from the liability, net of any tax effects.

Income taxes

The Corporation qualifies as a MIC under the Income Tax Act, and as such is not taxed on income provided that its taxable income is distributed to its shareholders in the form of dividends within 90 days after December 31 each year. Accordingly, no provision for current or future income taxes is required unless the Corporation elects to retain income. As at the year end, the company has non-capital losses of $1,335,646 (2023 - $1,497,172) available for carryforward, which expire between 2038 to 2042.

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.

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 year in respect to bad or doubtful debts from related parties.

4. Future changes in accounting policies

The Corporation regularly assesses the impact of new IFRS standards, changes in existing standards or new interpretations that have been issued but are not yet effective. Relevant standards issued but not yet adopted at the date of issuance of these financial statements are described below:

In May 2024, the International Accounting Standards Board ("IASB") issued amendments to IFRS 9, Financial Instruments (IFRS 9), which introduced additional guidance in two areas. The first relates to financial assets with contingent features and when these features can be considered consistent with a basic lending arrangement, in which case the instrument can be measured at amortized cost. The second relates to the timing of derecognition of financial liabilities when payment takes place through an electronic payment system and certain conditions are met. These amendments will be effective for the fiscal year beginning November 1, 2026. The Corporation is currently assessing the impact of these amendments on the financial statements.

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18"). IFRS 18 replaces IAS 1 Presentation of Financial Statements and sets out requirements for the presentation and disclosure of information in the primary financial statements and notes. The standard applies to annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively, with early adoption permitted. The Corporation is currently assessing the impact of the new standard on the financial statements.

5. Determination of fair values

The Corporation's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements. The Corporation classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the 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 judgement 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. 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 mortgage receivable. The discounted cash flow analysis assumed that all mortgages will be held until maturity. Given the short-term nature of the Corporation's mortgage receivables, generally the fair values approximate their carrying values.

6. Financial risk management

Overview

The Corporation'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;
iv. operational risk;
v. interest rate risk; and
vi. capital risk.

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

The Corporation employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Corporation's business objectives and risk tolerance levels. While the directors have 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 Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation'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:

	2024	2023
Accounts receivable	$ 181,720	$ 120,000
Mortgages receivable	74,798,318	79,916,379
	$ 74,980,038	$ 80,036,379

Mortgages receivable are issued to borrowers who must pass a credit check. Credit risk is reduced by ensuring that appraisals are completed and loan to value are maintained in accordance with the Corporation's policies.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. Liquidity risk is managed by ensuring that the projected repayments under the existing investment portfolio exceeds projected needs.

The obligations for future advances under the Corporation's investment portfolio are anticipated to be funded from existing cash, mortgage interest, borrower repayments and future issuance of preferred shares.

As at October 31, 2024, management considers that the Corporation does not have significant exposure to liquidity risk.

Market risk

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

6. Financial risk management (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation'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 behaviour. The Corporation manages its operational risk by setting appropriate policies related to human resources, technology, regulatory compliance, and other factors.

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 Corporation is exposed to interest rate risk on balance, if any, drawn from its credit facility.

The Corporation had no interest rate swaps or financial contracts in place as at or during the year ended October 31, 2024.

Capital risk management

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

7. Related party transactions

Radiance Mortgage Brokerage Inc. ("Radiance"), a related party by virtue of common management, acts as the Mortgage Broker to the Corporation. 5C Capital Inc. ("5C Capital"), a related party by virtue of common management, acts as the Mortgage Administrator to the Corporation. The directors of the related parties are the same individuals as the directors of the Corporation.

The Corporation entered into a Management Service Agreement with Radiance effective November 21, 2013. The agreement provides for Radiance to provide a wide range of services including, but not limited to, overseeing and managing the Corporation’s investment portfolio. Radiance receives a fee from the Corporation equal to 1% per annum of the book value of the total assets of the Corporation.

The Corporation entered into an Administration Agreement with 5C Capital effective November 21, 2013. The agreement provides for 5C Capital to provide mortgage administrative services including but not limited to the administration of mortgage loans and collecting all amounts due from borrowers of the Corporation. The terms of that agreement provide that 5C Capital will collect a fee of 0.33% of the mortgages under administration. The agreement is structured so that the fee is included in the 1% mentioned in the preceding paragraph.

During the year, the Corporation paid fees of $909,709 (2023 - $872,611) to Radiance Mortgage Brokerage Inc. Included in accounts payable is an amount due to Radiance Mortgage Brokerage of $72,445 (2023 - $75,740). These transactions were conducted by the Corporation in the normal course of business.

8. Accounts receivable

Accounts receivable consists of funds receivable from new shareholders whose Class B share subscriptions closed on October 31, 2024. These funds are held in trust by a third party and becomes due to the Corporation upon the closing of the new subscriptions. The funds were disbursed to the Corporation in November 2024.

9. Mortgages receivable

The following is a breakdown of the mortgages receivable as at October 31:

	2024	2023
First mortgages	$ 52,164,116	$ 43,670,592
Non-first mortgages	22,078,760	35,345,847
	74,242,876	79,016,439
Interest receivable	1,008,288	1,053,362
Provision for losses	(452,846)	(153,422)
Total mortgages receivable	$ 74,798,318	$ 79,916,379

Non-first mortgages are loans with mortgage charges not registered in first priority with estimated loan-to-value ratios not exceeding 85% at inception of the mortgage. All mortgages are secured by residential properties in Canada. Of the total mortgages, $8,636,546, or 11.63% of the total, are in arrears more than 60 days. A provision of $150,000 has been recorded for mortgage losses, along with $302,846 related to interest receivable.

Broken down into the three-stages per the impairment model, mortgages receivable and provision for mortgage losses are as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross mortgages receivable, at amortized cost	$ 63,512,361	$ 8,245,515	$ 2,485,000	$ 74,242,876
Provision for mortgage losses	-	-	(150,000)	(150,000)
	$ 63,512,361	$ 8,245,515	$ 2,335,000	$ 74,092,876

The loans in the investment portfolio bear interest at the weighted average rate of 10.28%. Approximately 99.85% in Ontario, Canada, and 0.15% in Manitoba, Canada, when measured by loan amount. There are no further commitments to fund additional mortgages as at October 31, 2024. All mortgages have principal repayments due upon contractual maturity in 2025.

During 2024, no transaction costs were incurred by the Corporation in the mortgage transactions.

10. Bank indebtedness

The Corporation has a revolving credit facility with the Bank of Montreal with an authorized limit of $50,000,000. The facility is secured by a general security agreement and an unlimited blanket assignment of mortgages signed by the Corporation in favour of the bank. External counsel has issued an opinion letter confirming that the Corporation's Preferred Shares are ranked behind bank debt and that the bank has the ability to redirect mortgage payments from the Corporation to the bank.

As a condition of maintaining the revolving credit facility, the Corporation has to meet certain covenants. As at year-end, Corporation was in compliance with these covenants.

The facility can be drawn down as a revolving Prime Rate Loan at variable interest rate of Prime + 0.9%, or as fixed interest rates with 30 to 90-day terms. The facility was drawn upon and repaid at various times throughout the reporting period.

11. Dividends

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

In fiscal year 2024, the Corporation declared dividends of $5,543,770 (2023 - $5,453,876) to its shareholders.

12. Share capital

As at October 31, 2024, the Corporation was authorized to issue the following:

Unlimited number of Class A Common Shares
Unlimited number of Class B Preferred Shares

The Corporation has an optional dividend reinvestment plan (DRIP) for preferred shareholders, whereby participants may reinvest cash dividends in additional preferred shares of the Corporation at the current share price as at the date of conversion. Class B Preferred Shares issued under the DRIP are issued by the Corporation from its treasury.

The following Class A Common Shares were issued and outstanding as at October 31, 2024:

	# Shares	Amount
Balance, beginning of year	1,000	$ 10,000
New shares issued during the year	-	-
Balance, end of year	1,000	$ 10,000

The following Class B Preferred Shares were issued and outstanding as at October 31, 2024:

	# Shares	Amount
Balance, beginning of year	6,773,265	$ 67,732,654
New shares issued	984,829	9,848,290
Dividend Reinvestment Plan	241,130	2,411,301
Redemption of shares	(737,973)	(7,379,733)
Balance, end of year	7,261,251	$ 72,612,512

Class B preferred shares consists of:

	2024	2023
Class B Preferred Shares	$ 72,612,512	$ 67,732,654
Share issuance costs	(2,436,179)	(2,741,804)
	$ 70,176,333	$ 64,990,850

The Class B Preferred Shares are recorded as liabilities as the shares provide the holders with redemption privileges. Each share is redeemable for the lesser of $10 and the net asset value per share. Most Preferred Shares are also subject to early redemption charges if redeemed within four years of issuance.

Related Parties, including directors and common shareholders of the Corporation and related corporations held 267,940 Class B preferred shares as at October 31, 2024 (2023 - 263,287)

DATE AND CERTIFICATE

This Offering Memorandum does not contain a misrepresentation.

Dated February 26, 2026.

RESCO MORTGAGE INVESTMENT CORPORATION

(Signed) "*David C. Looi*"
DAVID C. LOOI
Chief Executive Officer

(Signed) "*Chris M. K. Cheng*"
CHRIS M. K. CHENG
Chief Operating Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) *"David Y. Ho"*
DAVID Y. HO
Director

(Signed) "*Will C. B. Sung*"
WILL C.B. SUNG
Director

APPENDIX 1

SUBSCRIPTION AGREEMENT

Please see attached.

SUBSCRIPTION AGREEMENT FOR CLASS B PREFERRED SHARES

TO: RESCO Mortgage Investment Corporation (the "Corporation")

The undersigned (hereinafter referred to as the "**Subscriber**") hereby irrevocably subscribes for and agrees to purchase the number of Class B Preferred Shares (the "**Preferred Shares**") of the Corporation set forth below, representing a subscription price of $10.00 per Preferred Share, upon and subject to the terms and conditions set forth in "Terms and Conditions of Subscription for Preferred Shares of RESCO Mortgage Investment Corporation" attached hereto (the "**Terms and Conditions**"). This page plus the Terms and Conditions and the Exhibits attached thereto, are collectively referred to as the "**Subscription Agreement**". Initially capitalized terms in the Subscription Agreement and not otherwise defined have the meanings ascribed to them in the Offering Memorandum (as defined in the Terms and Conditions), unless the context otherwise requires.

_____
(Name of Subscriber – please print)

By: _____
(Authorized Signature)

_____
(Official Capacity or Title – if the subscriber is not an individual)

_____
(Please print name of individual whose signature appears above if different than the name of the Subscriber printed above.)

_____
(Subscriber's Address)

_____

_____
(Telephone Number) (Email Address)

_____
Social Insurance Number / Business Number

☐ **JOINT SUBSCRIBERS: Check the box if Subscribers for Preferred Shares are to be joint tenants with right of survivorship**

☐ **I am a non-resident of Canada**

If not a resident of Canada, I am a resident of _____ and I am not a U.S. Person (as defined by Regulation S of the United States *Securities Act of 1933*)

By executing this Subscription, you are consenting (on your behalf and, if applicable, on behalf of the beneficial purchaser for whom you are contracting), to the collection, use and disclosure of personal information in the manner described in the Privacy Notice on page 18 of this Subscription Agreement.

Number of Preferred Shares*: _____

Aggregate Subscription Amount: Cdn. $ _____

*Minimum Subscription is 1,000 Preferred Shares

Subscription Price per Preferred Share: $10.00

FOR ALL SUBSCRIBERS – Check all that apply:

I am a "registrant"	☐ Yes	☐ No
I am an "insider of the Corporation	☐ Yes	☐ No
I am a "promoter" of the Corporation	☐ Yes	☐ No

Each as defined under applicable securities laws.

Payment Options

Please choose for your cash distribution payments:

☐ Distribution reinvestment (compound interest)

(please see Section 2(p) and 3(z))

☐ Direct deposit into bank account other than savings
(a void cheque or a copy ***must*** be provided)

☐ Direct deposit into bank account on file

☐ Direct deposit into savings account

Bank Name: _____

Bank #: _____ **Transit #:** _____

Account #: _____

☐ Cheque to trustee:

Specify Company: _____

Register the Preferred Shares as set out below (if different from Subscriber):

_____
(Name)

_____
(Account reference, if applicable)

_____
(Address)

_____

Deliver the Preferred Shares as set out below (if different from Subscriber's address):

_____
(Name)

_____
(Account reference, if applicable)

_____
(Contact Name)

_____
(Address)

PLEASE COMPLETE THE SECOND PAGE OF THIS AGREEMENT AND APPLICABLE EXHIBITS

This is the first page of an agreement comprised of 18 pages, not including Exhibits 1, 2, 3 and 4

Qualifications for Securities Exemptions: Please initial beside the following exemption you are relying on and complete the relevant missing information. By executing this Subscription Agreement you represent and warrant that the initialed statements apply to you:

(a) _____ I am an "accredited investor". I am subscribing for Preferred Shares under the Accredited Investor Exemption and reside in a Province of Canada. **COMPLETE EXHIBIT 1 (PARTS I AND II)**.

(b) _____ I am subscribing for Preferred Shares under section the Offering Memorandum Exemption and reside in a British Columbia or Newfoundland and Labrador. **COMPLETE Exhibit 3 (Part I)**.

(c) _____ I am subscribing for Preferred Shares under the Offering Memorandum Exemption and reside in Manitoba or Prince Edward Island. **COMPLETE EXHIBIT 2 AND Exhibit 3 (Part I)**.

(d) _____ I am subscribing for Preferred Shares under the Offering Memorandum Exemption and reside in Alberta, New Brunswick, Nova Scotia, Ontario or Saskatchewan. **COMPLETE EXHIBIT 2 AND Exhibit 3 (Part I) AND Exhibit 3 (Part II)**.

(e) _____ I am subscribing for Preferred Shares under the Offering Memorandum Exemption, reside in Alberta, New Brunswick, Nova Scotia, Ontario or Saskatchewan, and am an "eligible investor" because I am an "accredited investor". **COMPLETE Exhibit 1 (Part I), EXHIBIT 2, AND Exhibit 3 (Part I) AND Exhibit 3 (Part II).**

(f) _____ I am resident in Canada and am purchasing pursuant to an exemption from prospectus requirements available to me under applicable securities legislation other than (a), (b), (c), (d) or (e)d above, and will provide the full particulars of such exemptions and evidence of the my qualifications thereunder.

(g) _____ I am resident in a jurisdiction other than Canada and the United States and I am purchasing pursuant to Section 3(o) of this Agreement. **COMPLETE EXHIBIT 1.**

FOR ADVISER/DEALER TO COMPLETE

By submitting this completed Subscription Agreement to the Corporation, the adviser/dealer hereby acknowledges and confirms that it has fulfilled all relevant "know-your-client", suitability and anti-money laundering obligations under applicable securities legislation or other laws. It also confirms that it (i) has taken reasonable steps to verify that the Subscriber qualifies for the prospectus exemption indicated by the Subscriber under the heading "Qualifications for Securities Exemptions" above, (ii) will retain, for a minimum of eight years, all necessary documents to demonstrate such verification, and (iii) will provide copies of such documentation to the Corporation upon request.

_____ Name of Dealer (Firm Name)	_____ Signature of Account Representative
_____ Name and ID No. of Account Representative	_____ Telephone Number of Account Representative
_____ Dealer Transaction Number	_____ Email Address of Account Representative

***Witness Attestation for Power of Attorney**

The witness, by signing this document, hereby certifies that he or she was present when the document was executed by the Subscriber and has executed this document in the presence of the Subscriber on the date shown above and that he or she is not:

(a) less than 18 years old; or
(b) a person designated as the attorney in the power of attorney contemplated in this Subscription Agreement; or
(c) the spouse or partner of the Subscriber or person designated as the attorney in the power of attorney contemplated in this Subscription Agreement; or
(d) a child of the Subscriber or a person whom the Subscriber has demonstrated a settled intention to treat as the Subscriber's child; or
(e) another family member of the Subscriber or person designated as the attorney in the power of attorney contemplated in this Subscription Agreement.

ACCEPTANCE: The Corporation hereby accepts the above subscription on the terms and conditions contained in this Subscription Agreement.

EXECUTED this _____ day of _____, 20____.

RESCO MORTGAGE INVESTMENT CORPORATION

By: _____
Authorized Signing Officer

Please make sure that your subscription includes:

1. One (1) signed copy of this Subscription Agreement.

2. A certified cheque or bank draft in an amount equal to the Aggregate Subscription Amount payable to "RESCO Mortgage Investment Corporation" or a wire transfer to:

   RESCO Mortgage Investment Corporation
   360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7
   Account Number: 1606503
   BMO Bank of Montreal
   100 King Street West, Toronto, Ontario M5X 1A3
   Institution Number:001 / Branch Code: 00022 / SWIFT Code: BOFMCAM2

   Subscribers that will be subscribing through registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, deferred profit sharing plans or tax free savings accounts will be required to provide the proceeds to the applicable plan administrator and coordinate the payment by the plan administrator to the Corporation, in order to complete the subscription.

3. A completed and signed copy of:

   (a) **Exhibit 1 (Part I), and if applicable, Exhibit 1 (PART II)**, if you initialed beside (a) or (f) on the face page of this Subscription Agreement under the heading "Qualifications for Securities Exemptions";

   (b) **Exhibit 3 (Part I) only**, if you initialled beside (b) on the face page of this Subscription Agreement under the heading "Qualifications for Securities Exemptions";

   (c) **Exhibit 2 and Exhibit 3 (Part I) only**, if you initialled beside (c) on the face page of this Subscription Agreement under the heading "Qualifications for Securities Exemptions";

   (d) **Exhibit 2 and Exhibit 3 (PART I and PART II)**, if you initialed beside any of (d) on the face page of this Subscription Agreement under the heading "Qualifications for Securities Exemptions"; or

   (e) **Exhibit 1 (Part I), Exhibit 2 <u>and</u> Exhibit 3 (PART I and PART II)** if you initialed beside (e) on the face page of this Subscription Agreement under the heading "Qualifications for Securities Exemptions".

Please deliver your subscription to:

RESCO Mortgage Investment Corporation
360 Highway 7 East, Unit 28
Richmond Hill, Ontario L4B 3Y7
Fax: +1 (905) 889-4155
Email: info@rescomic.ca

TERMS AND CONDITIONS OF SUBSCRIPTION FOR PREFERRED SHARES OF RESCO MORTGAGE INVESTMENT CORPORATION

1. **Interpretation.**

(a) In this Subscription Agreement, unless stated otherwise or defined on the cover page or in Section 1(b) of this Subscription Agreement, capitalized terms used herein that are defined in the Offering Memorandum have the meanings ascribed to such terms in the Offering Memorandum.

(b) In this Subscription Agreement:

(i) "**Accredited Investor Exemption**" means the prospectus exemption described in section 2.3 of NI 45-106 and 73.3(1) of the *Securities Act* (Ontario), as applicable;

(ii) "**Accredited Investor Risk Acknowledgement**" means the Accredited Investor Risk Acknowledgement (Form 45-106F9) attached hereto as of Exhibit 1 (PART II);

(iii) "**business day**" means a day which is not a Saturday, Sunday or statutory holiday in the City of Toronto, Ontario;

(iv) "**Cancellation Right**" means the right of the Subscriber who is subscribing under section 2.9 [*Offering memorandum*] of NI 45-106 to cancel this Subscription Agreement by sending notice of cancellation by midnight on the 2nd business day after the Subscriber executes this Subscription Agreement;

(v) "**Closing**" means the completion of the subscription for any Preferred Shares pursuant to this Subscription Agreement;

(vi) "**Closing Date**" means the date of the Closing, which is expected to occur from time to time as the Corporation may determine;

(vii) "**Closing Time**" means the time on the applicable Closing Date that the Closing occurs;

(viii) "**Offering Memorandum**" means the offering memorandum of the Corporation relating to the sale of Preferred Shares, as may be amended or supplemented from time to time;

(ix) "**Offering Memorandum Exemption**" means the prospectus exemption described in Section 2.9 of NI 45-106;

(x) "**Offering Memorandum Risk Acknowledgement**" means the Offering Memorandum Risk Acknowledgement (Form 45-106F4) attached hereto as of Exhibit 3 (Part I);

(xi) "**Plan**" means the distribution reinvestment plan of the Corporation, as amended, restated, supplemented or replaced from time to time;

(xii) "**NI 45-106**" means National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators;

(xiii) "**Tax Act**" means the *Income Tax Act* (Canada), together with any and all regulations promulgated thereunder, as amended from time to time;

(xiv) "**United States**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

2. **Acknowledgements of the Subscriber.** The Subscriber acknowledges that:

(a) this subscription is subject to rejection or acceptance by the Corporation in whole or in part, and is effective only upon acceptance by the Corporation;

(b) the Preferred Shares subscribed for by it hereunder form part of a larger issuance and sale of Class B Preferred Shares by the Corporation for aggregate maximum gross proceeds of up to $75,000,000;

(c) the Corporation reserves the right to close the Offering in multiple tranches and the Corporation is entitled to use the subscription proceeds as soon as any Closing has occurred;

(d) there is no government or other insurance covering the Preferred Shares;

(e) the Corporation may appoint selling agents to offer the Preferred Shares for sale on a private placement basis and in connection therewith, the Corporation may, directly or indirectly, pay a commission of up to 7% of the gross proceeds realized on the Preferred Shares sold directly by such selling agents, and may also pay the reasonable expenses of such selling agents;

(f) the Corporation may pay a cash finder's fee to qualified finders who refer Subscribers to the Offering of up to 7% of the gross proceeds realized on the Preferred Shares sold to subscribers referred by such finders;

(g) the Corporation may provide information in respect of the Subscriber's investment to the adviser and dealer listed on page 2 of this Subscription Agreement;

(h) **there are restrictions on the Subscriber's ability to resell the Preferred Shares and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with them before selling the Preferred Shares;**

(i) the Corporation has advised the Subscriber that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and, as a consequence of acquiring Preferred Shares pursuant to this exemption, certain protections, rights and remedies provided by the *Securities Act* (Ontario) and other applicable securities laws, including statutory rights of rescission or damages, may not be available to the Subscriber (other than the rights set forth in the Offering Memorandum applicable to Subscribers who subscribe for Preferred Shares under the Offering Memorandum Exemption);

(j) no prospectus has been filed by the Corporation with any securities commission or similar regulatory authority in any jurisdiction in connection with the issuance of the Preferred Shares and the issuance is exempt from the prospectus requirements available under the provisions of applicable securities laws and as a result:

(i) the Subscriber is restricted from using most of the civil remedies available under applicable securities laws (other than remedies available in connection with the Offering Memorandum delivered to Subscribers who subscribe for Preferred Shares under the Offering Memorandum Exemption);

(ii) the Subscriber may not receive information that would otherwise be required to be provided to it under applicable securities laws (other than the information set forth in the Offering Memorandum applicable to Subscribers who subscribe for Preferred Shares under the Offering Memorandum Exemption); and

(iii) the Corporation is relieved from certain obligations that would otherwise apply under applicable securities laws;

(k) Gowling WLG (Canada) LLP is acting as counsel to the Corporation and not for any Subscriber and, as such, the Subscriber is solely responsible for obtaining such legal advice as it considers appropriate in connection with the execution, delivery and performance by it of this Subscription Agreement and ownership of the Preferred Shares;

(l) participation in the Offering is subject to acceptance of the Subscription Agreement by the Corporation, and that acceptance of this Subscription Agreement shall be effective upon the Subscriber being included on the register of holders of Preferred Shares of the Corporation (the "**Register**") designating the Subscriber as a Preferred Shareholder of the Corporation (a "**Preferred Shareholder**");

(m) it has been furnished with and has carefully reviewed and fully understands the Offering Memorandum;

(n) Radiance Mortgage Brokerage Inc. (the "**Manager**") and 5C Capital Inc. (the "**Administrator**") have been engaged by the Corporation to provide management and administrative services to the Corporation, and the Corporation may provide information in respect of the Subscriber and its holdings of Preferred Shares to the Manager and the Administrator from time to time in connection with the provision of such management and administrative services to the Corporation;

(o) the Manager and Administrator may, in connection with the provision of such services and the carrying out of their respective businesses, disclose and use information acquired in connection with the provision of management and administration services to the Corporation;

(p) if it has elected, on the face page hereof, to participate in the Plan, agrees to hereby apply to enroll in and become a participant in the Plan and further directs the Corporation to apply any and all cash distributions payable in respect of all Preferred Shares registered in the Subscriber's name now or in the future towards the purchase of additional Preferred Shares, subject to proration, any applicable withholding tax and such other limitations and restrictions as are set forth in the Plan, and hereby agrees that all documents relating to the Plan and its participation therein, whenever prepared or received including, shall be prepared exclusively in the English language. The Subscriber further acknowledges that the Plan is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein, and hereby attorns to the jurisdiction of the courts of the Province of Ontario with respect to proceedings involving the Plan.

3. **Representations, Warranties and Covenants of the Subscriber.** By executing this Subscription Agreement, the Subscriber represents, warrants and covenants to the Corporation (and acknowledges that the Corporation and its counsel is relying thereon) that:

(a) if the Subscriber is an individual, the Subscriber is of the full age of majority in the jurisdiction in which this Subscription Agreement is executed and is legally competent to execute and deliver this Subscription Agreement and all other agreements, instruments and other documents contemplated hereby and that it will perform all of its obligations hereunder and thereunder, undertake all actions required of the Subscriber hereunder and thereunder;

(b) if the Subscriber is not an individual: (i) it has been duly incorporated, formed or created and is valid and subsisting under the laws of the jurisdiction of its incorporation, formation, or creation; (ii) has the requisite power, authority, legal capacity and competence to execute and deliver this Subscription Agreement and all other agreements, instruments and other documents contemplated hereby and to perform all of its obligations hereunder and thereunder, and to undertake all actions required of the Subscriber hereunder and thereunder; and (iii) all necessary approvals of its directors, partners, shareholders, trustees or otherwise with respect to such matters that have been given or obtained;

(c) this Subscription Agreement has been duly and validly authorized, executed and delivered by, and constitutes a legal, valid, binding and enforceable obligation of the Subscriber;

(d) the execution, delivery and performance by the Subscriber of this Subscription Agreement and the completion of the transactions contemplated hereby do not and will not result in a violation of any law, regulation, order or ruling applicable to the Subscriber, and do not and will not constitute a breach of or default under any of the Subscriber's constating documents (if the Subscriber is not an individual) or any agreement to which the Subscriber is a party or by which it is bound;

(e) the Subscriber:

(i) has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment in the Preferred Shares;

(ii) is capable of assessing the proposed investment in the Preferred Shares as a result of the Subscriber's own experience or as a result of advice received from a person registered under applicable securities legislation;

(iii) is aware of the characteristics of the Preferred Shares and the risks relating to an investment therein; and

(iv) is able to bear the economic risk of loss of its investment in the Preferred Shares;

(f) it understands that no securities commission, stock exchange, governmental agency, regulatory body or similar authority in Canada, the United States or elsewhere has made any finding or determination or expressed any opinion with respect to the merits of investing in the Preferred Shares;

(g) it confirms that neither the Corporation nor any of its directors, employees, officers or affiliates, have made any representations (written or oral) to the Subscriber:

(i) regarding the future value of the Preferred Shares;

(ii) that any person will resell or repurchase the Preferred Shares;

(iii) that any person will refund the purchase price of the Preferred Shares (other than in connection with the Cancellation Right); or

(iv) that the Preferred Shares will be listed and posted for trading on a stock exchange or that application has been made to list and post the Preferred Shares for trading on a stock exchange;

(h) the Subscriber has been advised to consult its own legal, tax and financial advisers with respect to the suitability of the Preferred Shares as an investment for the Subscriber and the resale restrictions and “hold periods” to which the Preferred Shares are subject under applicable securities legislation, it has been independently advised as to the meanings of all terms contained herein relevant to it for purposes of the representations, warranties, undertakings and covenants contained in this Subscription Agreement, and has not relied upon any statements made by or purporting to have been made on behalf of the Corporation in deciding to subscribe for Preferred Shares hereunder;

(i) it has not become aware of, and it has not entered into this Subscription Agreement as a result of: (i) any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display such as the internet) with respect to the Corporation, the Offering or the distribution of the Preferred Shares; or (ii) any general solicitation or general advertising;

(j) except in the case of a Subscriber who is subscribing under the Offering Memorandum Exemption, the Subscriber has not received, requested and does not have any need to receive, any offering memorandum, or any other document describing the business and affairs of the Corporation which has been prepared for delivery to and review by, prospective subscribers in order to assist it in making an investment decision in respect of the Preferred Shares;

(k) in the case of a Subscriber who is subscribing under the Offering Memorandum Exemption, the Subscriber has received, reviewed and fully understands the Offering Memorandum and has had an opportunity to ask and have answered any and all questions which it wished to raise with respect to the business and affairs of the Corporation, the nature of its activities, the proposed use of proceeds, the Preferred Shares, and this Subscription Agreement;

(l) except in the case of a Subscriber who is subscribing under the Offering Memorandum Exemption, the Subscriber acknowledges that certain protections, rights and remedies provided by an offering memorandum and other applicable securities laws, including statutory rights of rescission or damages, may not be available to the Subscriber;

(m) the Subscriber confirms that it is, or is deemed to be, purchasing the Preferred Shares as principal for its own account, not for the benefit of any other person, and for investment purposes only and not with a view to the resale or distribution of all or any of the Preferred Shares, it is resident in the jurisdiction set out as the "Subscriber's Address" on the face page hereof, and it fully complies with one or more of the criteria set forth below:

(i) **it is resident in or otherwise subject to applicable securities laws of a province of Canada**, it is an "accredited investor", as such term is defined in NI 45-106 or, where applicable, section 73.3(1) of the *Securities Act* (Ontario), it was not created and is not used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106, and has duly completed and executed Exhibit 1 (and particularly, if the Subscriber is an individual who has initialed category (j), (k) or (l) of the definition of "accredited investor" in Exhibit 1 (Part I), he or she has duly completed and executed two (2) copies of the Accredited Investor Risk Acknowledgement, one copy for each of the Corporation and the Subscriber); or

(ii) **it is resident in or otherwise subject to the applicable securities laws of British Columbia or Newfoundland and Labrador**, it has received or been provided with a copy of the Offering Memorandum and has duly completed and executed two (2) copies of Exhibit 3 (Part I) – Offering Memorandum Risk Acknowledgement (one copy for each of the Corporation and the Subscriber); or

(iii) **it is resident in or otherwise subject to the applicable securities laws of Alberta, New Brunswick, Nova Scotia, Ontario or Saskatchewan**, it has received or been provided with a copy of the Offering Memorandum and has duly completed and executed two (2) copies of the Exhibit 3 (Part I) – Offering Memorandum Risk Acknowledgement (one copy for each of the Corporation and the Subscriber), Exhibit 1 (PART II) and:

(A) if the Subscriber is an individual, the Subscriber:

(1) is not an "eligible investor" as such term is defined in NI 45-106 and the acquisition cost of all securities acquired by the Subscriber under the Offering Memorandum Exemption in the preceding 12 months (including the Preferred Shares to be acquired hereunder) does not exceed $10,000,

(2) is an "eligible investor" as such term is defined in NI 45-106 and the acquisition cost of all securities acquired by the Subscriber under the

Offering Memorandum Exemption in the preceding 12 months (including the Preferred Shares to be acquired hereunder) does not exceed $30,000,

(3) is an "eligible investor" as such term is defined in NI 45-106, has received advice from a portfolio manager, investment dealer or exempt market dealer that the investment is suitable and the acquisition cost of all securities acquired by the Subscriber under the Offering Memorandum Exemption in the preceding 12 months (including the Preferred Shares to be acquired hereunder) does not exceed $100,000, or

(4) is an "eligible investor" as such term is defined in NI 45-106 because it is an "accredited investor" as such term is defined in NI 45-106 or, where applicable, section 73.3(1) of the *Securities Act* (Ontario) and the Subscriber has duly completed and executed Exhibit 1; or

(5) is an "eligible investor" as such term is defined in NI 45-106 because it is:

(I) a director, executive officer or control person of the issuer, or of an affiliate of the issuer (as such term is defined in NI 45-106 and reproduced in Exhibit 1 (Part I)) of the Corporation, or an affiliate of the Corporation;

(II) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer, or control person (as such term is defined in NI 45-106 and reproduced in Exhibit 1 (Part I)) of the Corporation, or an affiliate of the Corporation; or

(III) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer, or control person (as such term is defined in NI 45-106 and reproduced in Exhibit 1 (Part I)) of the Corporation, or an affiliate of the Corporation; or

(IV) a close personal friend of a director, executive officer or control person of the Corporation, or an affiliate of the Corporation; or

(V) a close business associate of a director, executive officer or control person of the Corporation, or an affiliate of the Corporation; or

(VI) a founder of the Corporation or a spouse, parent, grandparent, brother, sister, child, grandchild, close personal friend or close business associate of a founder of the Trust; or

(VII) a parent, grandparent, brother, sister, child or grandchild of a spouse of a founder of the Corporation; or

(VIII) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (I) to (VII); or

(IX) a trust or estate of which all the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (I) to (VII); and

(B) if the Subscriber is not an individual, it was not created, and is not used, solely to purchase or hold securities in reliance on the Offering Memorandum Exemption;

(iv) **it is resident in or otherwise subject to the applicable securities laws of Manitoba or Prince Edward Island**, it has received or been provided with a copy of the Offering Memorandum and has duly completed and executed Exhibit 2 and two (2) copies of Exhibit 3 (Part I) – Offering Memorandum Risk Acknowledgement (one copy for each of the Corporation and the Subscriber), and

(A) is not an "eligible investor" as such term is defined in NI 45-106 and the acquisition cost of the Preferred Shares does not exceed $10,000, or

(B) is an "eligible investor" as such term is defined in NI 45-106; and

(C) if the Subscriber is not an individual, it was not created, and is not used, solely to purchase or hold securities in reliance on the Offering Memorandum Exemption;

(n) if it is a resident of **any jurisdiction referred to in the preceding paragraph 3(m)** but not purchasing thereunder, it is purchasing pursuant to an exemption from prospectus requirements (particulars of which are enclosed herewith) available to it under applicable securities legislation and shall deliver to the Corporation such further particulars of the exemption(s) and the Subscriber's qualifications thereunder as the Corporation or its counsel may request;

(o) if the Subscriber initialed line (g) on the face page hereof under the heading "Qualifications for Securities Exemptions", the Subscriber is a resident of **a country other than Canada or the United States** (an "**International Jurisdiction**"), then in addition to the other representations and warranties contained in this Subscription Agreement, the Subscriber represents and warrants that:

(i) the Subscriber is knowledgeable of, or has been independently advised as to, the applicable securities laws of the International Jurisdiction which would apply to this Subscription Agreement, if any;

(ii) the Subscriber is purchasing the Preferred Shares hereunder pursuant to exemptions from the prospectus and registration requirements under the applicable securities laws of that International Jurisdiction or, if such is not applicable, the Subscriber is permitted to purchase the Preferred Shares under the applicable securities laws of the International Jurisdiction without the need to rely on an exemption;

(iii) the applicable securities laws of the International Jurisdiction do not require the Corporation to file a prospectus or similar document or to register the Preferred Shares purchased hereunder or to make any filings or seek any approvals of any kind whatsoever from any regulatory authority of any kind whatsoever in the International Jurisdiction;

(iv) the delivery of this Subscription Agreement, the acceptance of it by the Corporation and the issuance of the Preferred Shares to the Subscriber comply with all applicable laws of the Subscriber's International Jurisdiction of residence or domicile and all other applicable laws and will not cause the Corporation to become subject to or comply with any disclosure, prospectus or reporting requirements under any such applicable laws; and

(v) the Subscriber will, if requested by the Corporation, deliver to the Corporation a certificate or opinion of local counsel from the International Jurisdiction which will confirm the matters referred to herein to the satisfaction of the Corporation;

(p) it understands and acknowledges that: (i) there is no market for the Preferred Shares and there is no assurance that a market will develop in the future and confirms that no representation has been made to it by or on behalf of the Corporation with respect thereto; (ii) it is aware of the characteristics of the Preferred Shares; (iii) it is aware of the risks relating to an investment therein; and (iv) the Corporation is not a "reporting issuer" under the securities laws of any province or territory in Canada, and as a result of the Corporation not being a reporting issuer the Preferred Shares will be subject to an indefinite "hold period" or "restricted period" under applicable Canadian securities laws of 4 months and a day from the later of the Closing Date and the date the Corporation becomes a reporting issuer under the securities laws of any province or territory of Canada, during which time the Subscriber may not trade the Preferred Shares without filing a prospectus or being able to rely on one of the limited exemptions from the requirement to file a prospectus under applicable securities laws, and that the Subscriber is solely responsible for (and the Corporation is not in any way responsible for) the Subscriber's compliance with applicable resale restrictions. **The Subscriber further acknowledges that the Corporation may never become a reporting issuer, and therefore, the hold period or restricted period may never expire and that it has been advised to consult legal counsel in the jurisdiction in which it resides or is deemed to reside for full particulars of resale restrictions and hold periods to which the Preferred Shares are subject under applicable securities laws**;

(q) it understands that the transfer of the Preferred Shares is restricted pursuant to and applicable securities laws and that any certificates representing the Preferred Shares will bear a legend, or legends, indicating that the resale of such securities is restricted;

(r) it will not resell any of the Preferred Shares, except in accordance with the provisions of applicable securities legislation and regulatory policy;

(s) it is aware that the Preferred Shares have not been and will not be registered under the *United States Securities Act of 1933* (the "**U.S. Securities Act**") or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States without registration under the U.S. Securities Act or compliance with requirements of an exemption from registration and the applicable laws of all applicable states or an exemption from such registration requirements is available and it acknowledges that the Corporation has no present intention of filing a registration statement under the U.S. Securities Act in respect of the Preferred Shares;

(t) it is not a "U.S. Person" (as that term is defined by Regulation S under the U.S. Securities Act, which definition includes, but is not limited to, an individual resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States) and is not acquiring the Preferred Shares for the account or benefit of a U.S. Person or a person in the United States;

(u) It is not a U.S. Person for U.S. tax purposes (interpreted in accordance with the U.S. *Internal Revenue Code*, which without limitation includes a U.S. resident or a U.S. citizen, even if that individual resides outside of the U.S. and is also a citizen or resident of another jurisdiction for tax purposes) and is not acquiring the Preferred Shares for the account or benefit of a U.S. Person;

(v) the Preferred Shares have not been offered to the Subscriber in the United States, and the individuals making the order to purchase the Preferred Shares and executing and delivering this Subscription Agreement on behalf of the Subscriber were not in the United States when the order was placed and this Subscription Agreement was executed and delivered;

(w) it has relied solely upon the information in the Offering Memorandum and publicly available information relating to the Corporation and not upon any verbal or written representation as to fact or otherwise made by or on behalf of the Corporation, and acknowledges that the Corporation's counsel acts as counsel to the Corporation, and not as counsel to the Subscriber;

(x) it understands that it and the Corporation may be required to provide securities regulatory authorities or stock exchanges with information concerning the identities of the purchasers of the Preferred Shares and, if required by applicable securities legislation or regulatory policy or by any securities regulatory authority or stock exchange, the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing such reports, undertakings and other documents with respect to the issue of the Preferred Shares as may be required;

(y) it will ensure that its status as described above in sections 3(t) and (u) will not be modified and he or she will not transfer his or her Preferred Shares in whole or in part to any person who would be unable to make such representations and warranties without the express written consent of the Corporation; and

(z) if it has elected, on the face page hereof, to participate in the Plan, it is not, and when the Preferred Shares are purchased for its account will not be, a "non-resident" of Canada within the meaning of the *Tax Act* and, to the extent that it holds Preferred Shares on behalf of a beneficial owner of Preferred Shares, such beneficial owner is not, and when the Preferred Shares are purchased for its account such beneficial owner will not be, a "non-resident" of Canada within the meaning of the *Tax Act*.

4. **Timeliness of Representations, etc.** The Subscriber agrees that the representations, warranties and covenants of the Subscriber herein (including the Exhibits attached hereto) will be true and correct both as of the execution of this Subscription Agreement and as of the Closing Time (as defined herein), and will survive the completion of the distribution of the Preferred Shares and any subsequent disposition by the Subscriber of the Preferred Shares.

5. **Statutory and Contractual Rights.** In the event that a holder of a Preferred Share is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of the Offering Memorandum or any amendment thereto containing a misrepresentation, such holder shall, subject to available defences and any limitation period under applicable securities legislation, be entitled to rescission of the private placement transaction pursuant to which the Preferred Share was initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Corporation on the acquisition of the Preferred Share. In the event such holder is a permitted assignee of the interest of the original subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was such original subscriber. The foregoing is in addition to any other right or remedy available to a holder of the Preferred Share under section 130.1 of the *Securities Act* (Ontario), section 204 of the *Securities Act* (Alberta), equivalent provisions of securities laws in the other provinces where Preferred Shares are being offered or otherwise at law.

6. **Indemnity.** The Subscriber acknowledges that the Corporation is relying upon the representations, warranties and covenants of the Subscriber set forth herein in determining the eligibility (from a securities law perspective) of the Subscriber to purchase Preferred Shares under the Offering, and hereby agrees to indemnify the Corporation against all losses, claims, costs, expenses, damages or liabilities that it may suffer or incur as a result of or in connection with its reliance on such representations, warranties and covenants. The Subscriber undertakes to immediately notify the Corporation at 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7, Attention: Chief Operating Officer, Fax: +1 (905) 305-8122, Email: info@rescomic.ca, of any change in any statement or other information relating to the Subscriber set forth herein that occurs prior to the Closing Time.

7. **Deliveries by Subscriber prior to Closing.** The Subscriber agrees to deliver to the Corporation, or as the Corporation may direct, not later than 10:00 a.m. (Toronto time) on the business day preceding the applicable

Closing Date, (or one business day before any applicable Closing Date of which the Subscriber receives notice):

(a) one copy of this duly completed and executed Subscription Agreement;

(b) a certified cheque, money order, or bank draft made payable to "RESCO Mortgage Investment Corporation" in an amount equal to the Aggregate Subscription Amount, or payment of the same amount by way of a wire transfer to RESCO Mortgage Investment Corporation. Subscribers that will be subscribing through registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, deferred profit sharing plans or tax free savings accounts will be required to provide the proceeds to the applicable plan administrator and coordinate the payment by the plan administrator to the Corporation, in order to the complete the subscription;

(c) if subscribing for Preferred Shares under the Accredited Investor Exemption, a duly completed and executed Exhibit 1 (and particularly, if the Subscriber is an individual who has initialed category (j), (k) or (l) of the definition of "accredited investor" in Part I of Exhibit 1, he or she has duly completed and executed two (2) copies of the Accredited Investor Risk Acknowledgement, one copy for each of the Corporation and the Subscriber);

(d) if subscribing for Preferred Shares under the Offering Memorandum Exemption,

(i) a duly completed and executed Exhibit 3 (Part I); and

(ii) if the Subscriber resides in a province other than British Columbia or Newfoundland and Labrador, a duly completed and executed Exhibit 2; and

(iii) if the Subscriber resides in Manitoba or Prince Edward Island, is an individual, and is an "eligible investor" as a person described in section 2.5 [*Family, friends and business associates*] of NI 45-106, a duly completed and executed Exhibit 3 (Part II), Schedule 1; and

(iv) if the Subscriber resides in Alberta, New Brunswick, Nova Scotia, Ontario or Saskatchewan, a duly completed and executed Exhibit 3 (Part II), including Schedules 1 and 2 thereto; and

(e) such other documents as may be requested by the Corporation.

8. **Partial Acceptance or Rejection of Subscription.** The Corporation may, in its absolute discretion, accept or reject the Subscriber's subscription for Preferred Shares as set forth in this Subscription Agreement, in whole or in part, and the Corporation reserves the right to sell to the Subscriber less than the amount of Preferred Shares subscribed for under this Subscription Agreement. If this Subscription Agreement is rejected in whole, any certified cheque(s), bank draft(s) or wire(s) delivered by the Subscriber to the Corporation on account of the subscription price for the Preferred Shares subscribed for will be promptly returned to the Subscriber without interest. If this Subscription Agreement is accepted only in part, a cheque representing the amount by which the payment delivered by the Subscriber to the Corporation exceeds the subscription price of the number of Preferred Shares sold to the Subscriber pursuant to a partial acceptance of this Subscription Agreement, will be promptly delivered to the Subscriber without interest.

9. **Time and Place of Closing.** The sale of the Preferred Shares will be completed at the offices of RESCO Mortgage Investment Corporation, 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7 at the Closing Time. The Corporation reserves the right to close the Offering in multiple tranches, in one or more Closings.

10. **Money Laundering.** The Subscriber represents and warrants that the funds representing the Aggregate Subscription Amount which will be advanced by the Subscriber to the Corporation 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 Corporation may in the future be required by law to disclose the Subscriber's name and other information relating to this Subscription Agreement and the Subscriber's subscription hereunder, on a confidential basis, pursuant to the PCMLTFA. To the best of the Subscriber's knowledge: (a) none of the subscription funds to be provided by the Subscriber: (i) have been or will be derived from or related to any activity that is deemed criminal under the laws of Canada, the United States of America, or any other jurisdiction; or (ii) are being tendered on behalf of a person or entity who has not been identified to the Subscriber; and (b) it shall promptly notify the Corporation if the Subscriber discovers that any of such representations ceases to be true, and to provide the Corporation with appropriate information in connection therewith.

11. **Expenses.** The Subscriber acknowledges and agrees that all costs incurred by the Subscriber (including any fees and disbursements of any counsel retained by the Subscriber) relating to the sale of the Preferred Shares to the Subscriber shall be borne by the Subscriber.

12. **Governing Law.** The contract arising out of acceptance of this Subscription Agreement by the Corporation, shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The parties irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

13. **Language.** The parties hereto expressly request and require that this document, including without limitation the text of the Plan attached hereto, be drawn up in English. Les parties aux présentes conviennent et exigent que cette entente et tous les documents qui s'y rattachent, incluant, sans limitation, le texte complet du régime joint à ce formulaire, soient rédigés en anglais.

14. **Time of Essence.** Time shall be of the essence of this Subscription Agreement.

15. **Entire Agreement.** This Subscription Agreement represents the entire agreement of the parties hereto relating to the subject matter hereof, and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein.

16. **Facsimile Copies.** The Corporation shall be entitled to rely on delivery of a facsimile or electronic copy of executed subscriptions, and acceptance by the Corporation of such facsimile subscriptions shall be legally effective to create a valid and binding agreement between the Subscriber and the Corporation in accordance with the terms hereof.

17. **Severability.** The invalidity, illegality or unenforceability of any provision of this Subscription Agreement shall not affect the validity, legality or enforceability of any other provision hereof.

18. **Survival.** The covenants, representations and warranties contained in this Subscription Agreement shall survive the closing of the transactions contemplated hereby, and shall be binding upon and enure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

19. **Interpretation.** The headings used in this Subscription Agreement have been inserted for convenience of reference only and shall not affect the meaning or interpretation of this Subscription Agreement or any provision hereof. In this Subscription Agreement, all references to money amounts are to Canadian dollars.

20. **Amendment.** Except as otherwise provided herein, this Subscription Agreement may only be amended by the parties hereto in writing.

21. **Assignment.** Neither party may assign all or part of its interest in or to this Subscription Agreement without the consent of the other party in writing.

22. **Power of Attorney.** Each Preferred Shareholder hereby grants to the Corporation and each of its successors and assigns, a power of attorney constituting the Corporation with full power of substitution, as his true and lawful attorney to act on his behalf, with full power and authority in his name, place and stead, to execute, under seal or otherwise, swear to, acknowledge, deliver, make, file or record (and to take all requisite actions in connection with such matters), when, as and where required:

    (a) any instrument required or desirable to qualify, continue and keep in good standing the Corporation as a "mortgage investment corporation" in all jurisdictions that the Corporation deems appropriate;

    (b) any instrument, deed, agreement or document in connection with carrying on the affairs of the Corporation as authorized in the Corporation Indenture, including all conveyances, transfers and other documents required to facilitate any sale of Preferred Shares or in connection with any disposition of Preferred Shares required under the Corporation's articles and bylaws;

    (c) all conveyances, transfers and other documents required in connection with the dissolution, liquidation or termination of the Corporation in accordance with the terms of the Corporation's articles and bylaws; and

    (d) any and all elections, determinations or designations whether jointly with third parties or otherwise, under the Tax Act or any other taxation or other legislation or similar laws of Canada or of any other jurisdiction in respect of the affairs of the Corporation or of the Subscriber's interest in the Corporation.

    The power of attorney granted herein is, to the extent permitted by applicable law, irrevocable, is a power coupled with an interest, and shall survive the death, mental incompetence, disability and any subsequent legal incapacity of the Preferred Shareholder and shall survive the assignment by the Preferred Shareholder of all or part of the Preferred Shareholder's interest in the Corporation and will extend to and bind the heirs, executors, administrators and other legal representatives and successors and assigns of the Preferred Shareholder. Without limiting any other manner in which this power of attorney may be exercised by the Corporation on behalf of one or more Preferred Shareholders, the Corporation, in executing any instrument on behalf of all Preferred Shareholders collectively, executes such instrument with a single signature and indicating such execution is as attorney and agent for all of such Preferred Shareholders. Each Preferred Shareholder agrees to be bound by any representations or actions made or taken by the Corporation pursuant to this power of attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm any actions taken by the Corporation in good faith under this power of attorney.

23. **Electronic Delivery.** Unless the Subscriber notifies the Corporation otherwise, the Subscriber is deemed to have consented to the delivery by the Corporation to the Subscriber of certain documents, including this Subscription Agreement, the Offering Memorandum and any updates or amendments to the Offering Memorandum, by way of facsimile or email and that delivery of such documents in accordance with Exhibit 4 of this Subscription Agreement shall constitute valid and effective delivery of such documents unless the Corporation receives actual notice that such electronic delivery failed. Unless the Corporation receives actual notice that the electronic delivery failed, the Corporation is entitled to assume that the facsimile or email and the attached documents were actually received by the Subscriber and the Corporation will have no obligation to verify actual receipt of such electronic delivery by the Subscriber.

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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 Corporation. Such information is being collected by the Corporation 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 Preferred Shares under applicable securities laws, preparing and registering certificates representing the Preferred Shares 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 Corporation for the purpose of administering the Corporation'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 Corporation 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 Preferred Shares).

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 Corporation to: (i) stock exchanges or securities regulatory or taxation authorities, (ii) any registrar and transfer agent appointed by the Corporation, (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 Corporation 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 Corporation (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 Corporation 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 Corporation 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 Corporation 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 Exhibit 3 (Part I)

EXHIBIT 1 (PART I)

ACCREDITED INVESTOR EXEMPTION REPRESENTATION LETTER

INSTRUCTION: Must be completed by: (1) all subscribers for Preferred Shares under the Accredited Investor Exemption; AND (2) all subscribers for Preferred Shares under the Offering Memorandum Exemption who are "eligible investors" as persons described in the Accredited Investor Exemption.

TO: RESCO Mortgage Investment Corporation

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

In connection with the execution by the undersigned subscriber (the "**Subscriber**") of the Subscription Agreement which this Exhibit forms a part of, the Subscriber hereby represents, warrants, covenants and certifies that:

1. the Subscriber is resident in the jurisdiction set out as the "Subscriber's Address" on the face page of the Subscription Agreement;

2. the Subscriber is either: (i) purchasing the Preferred Shares as principal for its own account, or (ii) is deemed to be purchasing the Preferred Shares as principal in accordance with subsection 2.3(2) or (4) of NI 45-106;

3. the Subscriber was not created, and is not used, solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106;

4. the Subscriber is an "accredited investor" within the meaning of NI 45-106 or the *Securities Act* (Ontario), where applicable, by virtue of satisfying the indicated criterion set out below:

[Instruction: Initial beside the applicable description]

_____ (a) (i) except in Ontario, a Canadian financial institution or a Schedule III bank; or

_____ (ii) in Ontario, (A) a bank listed in Schedule I, II or III to the *Bank Act* (Canada); (B) an association to which the *Cooperative Credit Association Act* (Canada) applies or a central cooperative credit society for which an order has been made under subsection 473(1) of that Act; or (C) a loan corporation, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative or credit union league or federation that is authorized by a statute of Canada or Ontario to carry on business in Canada or Ontario, as the case may be;

_____ (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);

_____ (c) (i) except in Ontario, a subsidiary of any person referred to in paragraphs (a)(i) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;

_____ (ii) in Ontario, a subsidiary of any person referred to in paragraphs (a)(ii) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;

_____

_____ (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer;

_____ (e) an individual registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d);

_____ (e.1) an individual formerly registered under the securities legislation of a jurisdiction of Canada, other than an individual formerly registered solely as a representative of a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador);

_____ (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;

_____ (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the *Comité de gestion de la taxe scolaire de l'île de Montréal* or an intermunicipal management board in Québec;

_____ (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;

_____ (i) a pension fund that is regulated by the Office of the Superintendent of Financial Institutions (Canada), a pension commission or similar regulatory authority of a jurisdiction of Canada;

_____ (j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that, before taxes, but net of any related liabilities, exceeds $1,000,000; **[Instruction: If you select this paragraph (j), complete the Risk Acknowledgement in Exhibit 1 (PART II)]**;

_____ (j.1) 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;

_____ (k) an individual whose net income before taxes exceeded $200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year; **[Instruction: If you select this paragraph (k), complete the Accredited Investor Risk Acknowledgement in Exhibit 1 (PART II)]**;

_____ (l) an individual who, either alone or with a spouse, has net assets of at least $5,000,000; **[Instruction: If you select this paragraph (l), complete the Risk Acknowledgement in Exhibit 1 (PART II)]**;

(Note: if individual accredited investors wish to purchase through wholly-owned holding companies or similar entities, such purchasing entities must qualify under section (t) below, which must be initialed.)

_____ (m) a person, 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;

_____ (n) an investment fund that distributes or has distributed its securities only to:

(i) a person that is or was an accredited investor at the time of the distribution,

(ii) a person that acquires or acquired securities in the circumstances referred to in Sections 2.10 [*Minimum amount investment*] or 2.19 [*Additional investment in investment funds*] of NI 45-106, or;

(iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under Section 2.18 [*Investment fund reinvestment*] of NI 45-106;

_____ (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator, or in Québec, the securities regulatory authority, has issued a receipt;

_____ (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;

_____ (q) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction;

_____ (r) a registered charity under the *Tax Act* that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;

_____ (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function;

_____ (t) a person 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;

_____ (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser;

_____ (v) (i) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor;

_____ (ii) in Ontario, a person that is recognized or designated by the Ontario Securities Commission as an accredited investor; or

_____ (w) 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.

For the purposes hereof, the following definitions are included for convenience:

(a) "**affiliate**" means an issuer connected with another issuer because

(i) one of them is the subsidiary of the other, or

(ii) each of them is controlled by the same person;

(b) "**bank**" means a bank named in Schedule I or II of the *Bank Act* (Canada);

(c) "**beneficial ownership**" of securities by a person occurs

(i) for the purposes of British Columbia, Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario and Saskatchewan securities law, when such securities are beneficially owned by

(A) an issuer controlled by that person; or

(B) an affiliate of that person or an affiliate of an issuer controlled by that person;

(ii) for the purposes of Alberta securities law, when such securities are beneficially owned by

(A) an issuer controlled by that person or an affiliate of that issuer;

(B) an affiliate of that person; or

(C) through a trustee, legal representative, agent or other intermediary of that person;

(d) "**Canadian financial institution**" means

(i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act, or

(ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(e) "**consultant**" means, for an issuer, a person, other than an employee, executive officer, or director of the issuer or of a related entity of the issuer, that

(i) is engaged to provide services to the issuer or a related entity of the issuer, other than services provided in relation to a distribution,

(ii) provides the services under a written contract with the issuer or a related entity of the issuer, and

(iii) spends or will spend a significant amount of time and attention on the affairs and business of the issuer or a related entity of the issuer

and includes

(iv) for an individual consultant, a corporation of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or partner; and

(v) for a consultant that is not an individual, an employee, executive officer, or director of the consultant, provided that the individual employee, executive officer, or director spends or will spend a significant amount of time and attention on the affairs and business of the issuer or a related entity of the issuer.

(f) "**control**" or "**controlled**" means

(i) for the purposes of Alberta securities law, a person or company is considered to control another person or company if the person or company, directly or indirectly, has the power to direct the management and policies of the other person or company by virtue of

(A) the ownership or direction of voting securities of the other person or company,

(B) a written agreement or trust instrument,

(C) being the general partner or controlling the general partner of the other person or company, or

(D) being the trustee of the other person or company;

(ii) and, for the purposes of British Columbia, Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario and Saskatchewan securities law, an issuer is deemed to be controlled by another person or company or by two or more companies where:

(A) voting securities of the issuer carrying more than 50% of the votes for the election of directors are held, other than by way of security only, by or for the benefit of the other person or company or by or for the benefit of the other companies; and

(B) the votes carried by those securities are entitled, if exercised, to elect a majority of the board of directors of the issuer;

(g) "**control person**" has the same meaning as in securities legislation except in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Québec, where control person means any person that holds or is one of a combination of person that holds

(i) a sufficient number of any of the securities of an issuer so as to affect materially the control of the issuer, or

(ii) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of the issuer;

(h) "**director**" means

(i) a member of the board of directors of a company or an individual who performs similar functions for a company, and

(ii) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company;

(i) "**eligibility adviser**" means

(i) a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed, and

(ii) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not

(A) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders, or control persons, and

(B) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;

(j) "**executive officer**" means, for an issuer, an individual who is

(i) a chair, vice-chair or president,

(ii) a vice-president in charge of a principal business unit, division or function including sales, finance or production, or

(iii) performing a policy-making function in respect of the issuer;

(k) "**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;

(l) "**foreign jurisdiction**" means a country other than Canada or a politician subdivision of a country other than Canada;

(m) "**founder**", means, in respect of an issuer, a person who,

(i) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and

(ii) at the time of the trade is actively involved in the business of the issuer;

(n) "**fully managed account**" means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;

(o) "**individual**" means a natural person, but does not include

(i) a partnership, unincorporated association, unincorporated syndicate, unincorporated organization or a trust, or

(ii) a natural person in the person's capacity as trustee, executor, administrator or other legal representative;

(p) "**investment fund**" means a mutual fund or non-redeemable investment fund, and, for greater certainty in British Columbia, includes an employee venture capital corporation that does not have a restricted constitution ,and is registered under Part 2 of the *Employee Investment Act* (British Columbia), R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments and a venture capital corporation registered under Part 1 of the *Small Business Venture Capital Act* (British Columbia), R.S.B.C. 1996 c.429 whose business objective is making multiple investments and in Québec any reporting issuer referred to in subsection 1.2(4) of Regulation 81-106 respecting investment fund continuous disclosure adopted under the *Securities Act* (Québec);

(q) "**jurisdiction**" means a province or territory of Canada except when used in the term "foreign jurisdiction";

(r) "**local jurisdiction**" means the jurisdiction in which the applicable securities regulatory authority is situate;

(s) "**mutual fund**" means:

(i) for the purposes of Alberta, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island and Saskatchewan securities law, an issuer of securities that entitles the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets, including a separate fund or trust account, of the issuer of the securities;

(ii) and, for the purposes of British Columbia securities law, also includes

(A) an issuer described in an order that the British Columbia Securities Commission may make pursuant to section 3.2 of the *Securities Act* (British Columbia); and

(B) an issuer that is in a class of prescribed issuers,

but does not include an issuer, or a class of issuers, described in an order that the British Columbia Securities Commission may make under section 3.1 of the *Securities Act* (British Columbia);

(iii) and, for the purposes of New Brunswick securities law, also includes

(A) an issuer that is deemed to be a mutual fund in an order made by the Commission under subsection 1.1(2) of the *Securities Act* (New Brunswick); and

(B) an issuer or a class of issuers prescribed by regulation,

but does not include an issuer, or a class of issuers, described in an order that the New Brunswick Securities Commission may make under subsection 1.1(1) of the *Securities Act* (New Brunswick) or by regulation;

(t) "**non-redeemable investment fund**" means an issuer,

(i) whose primary purpose is to invest money provided by its securityholders,

(ii) that does not invest,

(A) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or

(B) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund, and

(iii) that is not a mutual fund;

(u) "**permitted assign**" means, for a person that is an employee, executive officer, director or consultant of an issuer or of a related entity of the issuer,

(i) a trustee, custodian, or administrator acting on behalf of, or for the benefit of the person,

(ii) a holding entity of the person,

(iii) an RRSP or a RRIF of the person,

(iv) a spouse of the person,

(v) a trustee, custodian, or administrator acting on behalf of, or for the benefit of the spouse of the person,

(vi) a holding entity of the spouse of the person, or

(vii) an RRSP or a RRIF of the spouse of the person;

(v) "**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;

(w) "**regulator**" means:

(i) the Executive Director, as defined under section 1 of the *Securities Act* (Alberta);

(ii) the Executive Director, as defined under section 1 of the *Securities Act* (British Columbia); and

(iii) such other person as is referred to in Appendix D of National Instrument 14-101 – Definitions;

(x) "**related entity**" means, for an issuer, a person that controls or is controlled by the issuer or that is controlled by the same person that controls the issuer;

(y) "**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;

(z) "**Schedule III bank**" means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

(aa) "**securities legislation**" means:

(i) for Alberta, the *Securities Act* (Alberta) and the regulations and rules under such Act and the blanket rulings and orders issued by the Alberta Securities Commission; and

(ii) for other Canadian jurisdictions, such other statutes and instruments as are listed in Appendix B of National Instrument 14-101 – Definitions;

(bb) "**securities regulatory authority**" means:

(i) the Alberta Securities Commission;

(ii) in respect of any local jurisdiction other than Alberta, means the securities commission or similar regulatory authority listed in Appendix C of National Instrument 14-101 – Definitions;

(cc) "**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);

(dd) "**subsidiary**" means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary;

(ee) a person (first person) is considered to "**control**" another person (second person) if:

(i) the first person, directly or indirectly, beneficially owns or exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation;

(ii) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership; or

(iii) the second person is a limited partnership and the general partner of the limited partnership is the first person.

Upon execution by the Subscriber, this Accredited Investor Exemption Representation Letter shall be incorporated into and form a part of the Subscription Agreement to which it is attached.

EXECUTED by the Subscriber this _____ day of _____, 20___.

_____
Full Legal Name of Subscriber (please print)

By: _____
Signature of Subscriber or its Authorized Representative

_____
Official Title or Capacity (please print)

_____
Name of signatory (please print name of individual whose signature appears above if different than name of Subscriber)

EXHIBIT 1 (PART II)

ACCREDITED INVESTOR RISK ACKNOWLEDGEMENT

INSTRUCTION: must be completed by <u>all individual subscribers</u> subscribing for Preferred Shares under the Accredited Investor Exemption, who fall under subsections (J), (K) or (L) of the definition of "accredited investor" as set out in EXHIBIT 1 (PART I).

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 SECURITYHOLDER	
1. About your investment	
Type of securities: Class B Preferred Shares	Issuer: RESCO Mortgage Investment Corporation
Purchased from: RESCO Mortgage Investment Corporation	

SECTION 2 TO 4 TO BE COMPLETED BY PURCHASER	
2. Risk acknowledgement	
The investment is risky. Initial that you understand that:	**Your Initials**
Risk of loss – You could lose your entire investment of $_____. *[Instructions: Insert the total dollar amount of the investment.]*	
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.	
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**
• 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.)	
• 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.	
• 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.)	

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	
[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.]	
First and last name of salesperson (please print):	
Telephone:	Email:
Name of firm (if registered):	
SECTION 6 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITYHOLDER	
6. For more information about this investment	
RESCO Mortgage Investment Corporation 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7 Attention: Chris M. K. Cheng, Chief Operating Officer	Telephone: +1 (905) 886-8786 Fax: +1 (905) 889-4155 Email: info@rescomic.ca Website: http://www.rescomic.ca/

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

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 must sign this form.* ***Each of the purchaser and the issuer or selling security holder must receive a copy of this form signed by the purchaser****. The issuer or selling security holder is required to keep a copy of this form for 8 years after the distribution.*

EXHIBIT 2

OFFERING MEMORANDUM EXEMPTION REPRESENTATION LETTER

INSTRUCTION: Must be completed by all subscribers residing outside of British Columbia or Newfoundland and Labrador subscribing for Preferred Shares under the Offering Memorandum Exemption.

TO: RESCO Mortgage Investment Corporation

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

In connection with the execution by the undersigned subscriber (the "**Subscriber**") of the Subscription Agreement which this Exhibit forms a part of, the Subscriber hereby represents, warrants, covenants and certifies that:

1. The Subscriber is resident in the jurisdiction set out as the "Subscriber's Address" on the face page of the Subscription Agreement.

2. The Subscriber is either: (i) purchasing the Preferred Shares as principal for its own account, or (ii) is deemed to be purchasing the Preferred Shares as principal in accordance with subsection 2.3(2) or (4) of NI 45-106.

3. The Subscriber was not created, and is not used, solely to purchase or hold securities in reliance on the exemption from the prospectus requirements set out in Section 2.9 of NI 45-106.

4. If the Subscriber is an individual, the Subscriber is: **[Instruction: Initial beside the applicable description]**

_____ (a) is not an "eligible investor" as such term is defined in NI 45-106; or

_____ (b) is an "eligible investor" as such term is defined in NI 45-106.

5. If the Subscriber has indicated that it is an "eligible investor" in 4(b) above, the Subscriber is an "eligible investor" by virtue of being: **[Instruction: Initial beside the applicable description]**

(a) a person whose:

_____ (i) net assets, alone or with a spouse, in the case of an individual, exceed $400,000;

_____ (ii) net income before taxes exceeded $75,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year; or

_____ (iii) net income before taxes, alone or with a spouse, in the case of an individual, exceeded $125,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year;

_____ (b) a person of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors;

_____ (c) a general partnership of which all of the partners are eligible investors;

_____ (d) a limited partnership of which the majority of the general partners are eligible investors;

_____ (e) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are eligible investors;

_____ (f) an accredited investor (as such term is defined in NI 45-106 or, where applicable, section 73.3(1) of the *Securities Act* (Ontario)). **[Instruction: If you select this paragraph (f), complete Exhibit 1]**

_____ (g) a person described under section 2.9 [*Family, friends and business associates*] of NI 45-106; **[Instruction: If you select this paragraph (g), complete Exhibit 3 (Part II) – Schedule 1, Section D (*Friends, Family and Business Associates*)]**, or

(h) in Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon, a person that has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser.

"**eligibility adviser**" means:

(a) a person or company that is registered as an investment dealer and authorized to give advice with respect to the type of security being distributed, and;

(b) in Manitoba, a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not:

(i) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders or control persons; and

(ii) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months.

For the purposes hereof, the following definitions are included for convenience:

(a) "**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; and

(b) "**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) above, or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta).

Upon execution by the Subscriber, this Offering Memorandum Exemption Representation Letter shall be incorporated into and form a part of the Subscription Agreement to which it is attached.

EXECUTED by the Subscriber this _____ day of _____, 20___.

_____
Full Legal Name of Subscriber (please print)

By: _____
Signature of Subscriber or its Authorized Representative

_____
Official Title or Capacity (please print)

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

EXHIBIT 3 (PART 1)

OFFERING MEMORANDUM RISK ACKNOLDEGEMENT

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 *exempt market securities* 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). *Exempt market securities* 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.	
The issuer of your securities is a non-reporting issuer – A *non-reporting issuer* does not have to publish financial information or notify the public of changes in its business. You may not receive ongoing information about this issuer. For more information on the exempt market, contact your local securities regulator. You can find contact information at www.securities-administrators.ca.	
Total investment – You are investing $_____ in total; this includes any amount you are obliged to pay in future. RESCO Mortgage Investment Corporation 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 Mortgage Investment Corporation 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 Mortgage Investment Corporation at its business address. Keep a copy of the notice for your records.

Issuer Name and Address:
RESCO Mortgage Investment Corporation
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.

EXHIBIT 3 (PART II)
SCHEDULE 1

CLASSIFICATION OF INVESTORS UNDER THE OFFERING MEMORANDUM EXEMPTION

INSTRUCTIONS: This schedule must be completed together with the Offering Memorandum Exemption Risk Acknowledgment Form (above) and Schedule 2 (see next page) by individuals purchasing securities under the Offering Memorandum Exemption in Alberta, New Brunswick, Nova Scotia, Ontario or Saskatchewan.

This schedule must be completed together with the Offering Memorandum Exemption Risk Acknowledgment Form (above) by persons purchasing securities under the Offering Memorandum Exemption in Manitoba or Prince Edward Island who are "eligible investors" as persons described in section 2.5 [*Family, friends and business associates*] of 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.

	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 [*Accredited investor*] of NI 45-106 or, as applicable in Ontario, subsection 73.3(1) of the *Securities Act* (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 before taxes 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	You are: 1) [check all applicable boxes] □ a director of the issuer or an affiliate of the issuer □ an executive officer of the issuer or an affiliate of the issuer □ a control person of the issuer or an affiliate of the issuer □ a founder of the issuer OR 2) [check all applicable boxes] □ 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 □ 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 You are a family member of _____ **[Instruction: Insert the name of the person who is your relative either directly or through his or her spouse]**, who holds the following position at the issuer or an affiliate of the issuer: _____ You are the _____ of that person or that person's spouse. **[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.]** You are a close personal friend of _____ **[Instruction: Insert the name of your close personal friend]**, who holds the following position at the issuer or an affiliate of the issuer: _____ You have known this person for _____ years. You are a close business associate of _____ **[Instruction: Insert the name of your close business associate]**, who holds the following position at the issuer or an affiliate of the issuer: _____ You have known this person for _____ years.	

D. You are not an eligible investor.		Your Initials
NOT AN ELIGIBLE INVESTOR	You acknowledge that you are not an eligible investor.	

EXHIBIT 3 (PART II)
SCHEDULE 2

INVESTMENT LIMITS FOR INVESTORS UNDER THE OFFERING MEMORANDUM EXEMPTION

INSTRUCTIONS: This schedule must be completed together with the Offering Memorandum Exemption Risk Acknowledgment Form (above) and Exhibit 3 (Part II) Schedule 1 (see previous page) by individuals purchasing securities under the exemption (the offering memorandum exemption) in section 2.9 of NI 45-106 in Alberta, New Brunswick, Nova Scotia, Ontario or Saskatchewan.

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 Exhibit 3 (Part II) Schedule 1. Initial the statement that applies to you.

	A. You are an 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:**	**Your Initials**
ELIGIBLE INVESTOR	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 [*Accredited investor*] of NI 45-106 or, as applicable in Ontario, subsection 73.3(1) of the *Securities Act* (Ontario).	**Your Initials**
ACCREDITED INVESTOR	You acknowledge that, by qualifying as an eligible investor as a person described in section 2.3 [*Accredited investor*] of NI 45-106 or, as applicable in Ontario, subsection 73.3(1) of the *Securities Act* (Ontario), you are not subject to investment limits.	

	C. You are an eligible investor, as a person described in section 2.5 *[Family, friends and business associates]* 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 *[Family, friends and business associates]*, you are not subject to investment limits.	

D. You are not an eligible investor		**Your Initials**
NOT AN ELIGIBLE INVESTOR	You acknowledge that you cannot invest more than $10,000 in all offering memorandum exemption investments made in the previous 12 months. 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.	

SECTION 2 – TO BE COMPLETED BY THE REGISTRANT	
2. Registrant information	
[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.]	
First and last name of registrant (please print):	
Registered as: **[Instruction: Indicate whether registered as a dealing representative or advising representative.]**	
Telephone:	Email:
Name of Firm: **[Instruction: Indicate whether registered as an exempt market dealer, investment dealer or portfolio manager.]**	
Date:	

EXHIBIT 4

ELECTRONIC DELIVERY OF DOCUMENTS

The following are the terms of electronic delivery of the documents and/or types of documents listed below that the Corporation may elect to deliver by electronic means unless the Subscriber provides notice that they do not wish to receive documents by such means of delivery. The Subscriber agrees to provide a facsimile number and/or email address on request. For purposes hereof, "deliverer" means the Corporation or its representatives responsible for delivering documents to the Subscriber, as appropriate.

1. The documents and/or types of documents which are covered by this consent to electronic delivery include notices, reports, financial statements, tax information, general correspondence and other documentation or information related to the Corporation, including the following:

   - Subscription documents;
   - Offering Memorandum, including all updates and/or amendments to the Offering Memorandum;
   - Periodic financial statements, including annual audited financial statements;
   - Tax information, including annual tax slips; and
   - Amendments of any such documents and/or types of documents.

2. In the event the deliverer receives notice that a facsimile or email sent to the Subscriber was not received by the Subscriber, a paper copy of the relevant documents will be sent by regular mail. In the event the deliverer does not receive any notice that a facsimile or email sent to the Subscriber was not received by the Subscriber, the deliverer shall be entitled to assume the facsimile or email and the attached documents were actually received by the Subscriber.

3. All the Subscribers who consent to email delivery of documents will be required to have a computer with Internet access, a working email account and the ability to read Microsoft Word and Excel files and Adobe Acrobat files. The Adobe Acrobat Reader can be obtained free of charge at the Adobe website at http://www.adobe.com. All documents delivered by email will be readable and may be viewed by using one or more of the above programs.

4. Documents sent in the following formats will be readable and may be viewed using the following programs:

File Type	**Program**
PDF file	Adobe Acrobat Reader
Excel file	Microsoft Excel
Word file	Microsoft Word
Jpeg file	Any internet browser
Html file	Any internet browser

At any time, the Subscriber may elect to receive paper copies of documents instead of or in addition to the electronic copies at no cost and the Subscriber may change the facsimile number or email address to which documents are delivered. The Subscriber may make such changes by providing notice of the same in writing by regular mail, fax or email to RESCO Mortgage Investment Corporation, 360 Highway 7 East, Unit 28, Richmond Hill, Ontario L4B 3Y7, Attention: Chief Operations Officer (fax no.: +1 (905) 889-4155, email: info@rescomic.ca) or such other address, fax number or email address as the Corporation may advise from time to time.