



Dear Investors:

We hope that this letter finds you and your family healthy and safe.

We are pleased to present our 4th COVID 19 Update and second monthly detailed report on the current status and health of our mortgage portfolio.

Update:

Similar to our process last month we have sufficient collections data that we are comfortable in providing an update summarizing the Portfolio's May collections performance. We are pleased to report again that we have experienced no material change in payment patterns from Borrowers compared to earlier months. We continue to experience some payment issues with 3 of 4 mortgages noted in the April 2020 report. We have one additional NSF payment which is expected to be replaced this coming week. The Huntmar property sale was closed in April with full collection of all principal, interest and investor bonus. The Finch Avenue development loan Borrower made a full catch up payment for April and a partial payment for May as expected and remains approximately 15 days in arrears. The sale of that property was aborted and we have communicated our intentions to enforce if not brought into good standing by month-end. We have certain knowledge that another lender is prepared to payout our mortgage so we would like to facilitate this. As the property is now site plan approved and construction in the province is slated to open up again this May 19, 2020, we feel reasonably confident that our exposure on this loan is below 50% Loan To Value. The Borrower it appears, will continue to have financial issues so we will maintain the pressure to be paid out as soon as possible and move forward with enforcement if we do not receive all arrears or a commitment to refinance our mortgage.

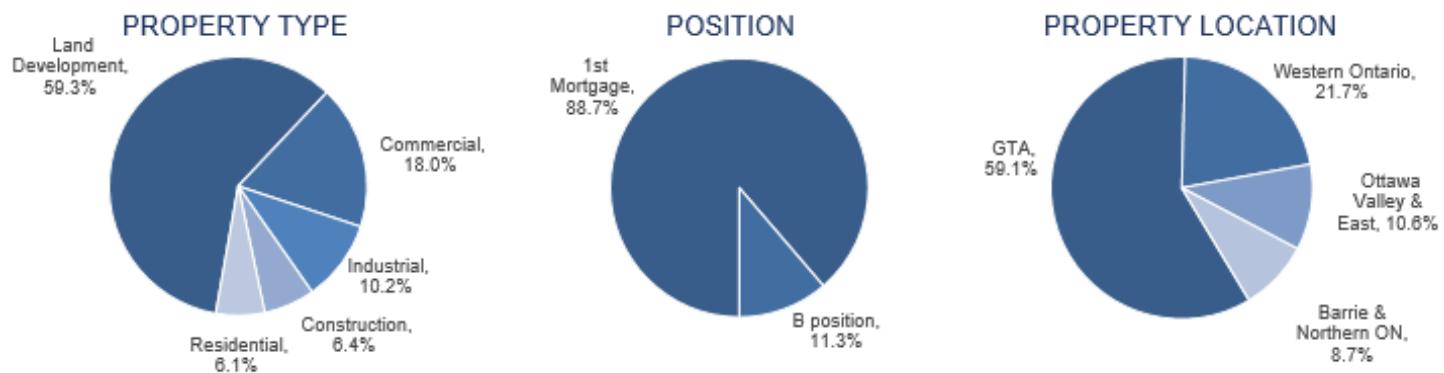
The Whiteoaks file remains in default but we are working with an offer to purchase both infill residential building lots by a quality builder. Our solicitor is also in contact with the second mortgagee's solicitor who has communicated their desire to buy out our mortgage position. Either outcome provides full repayment of all principal, interest, and costs.

The Plains Road Borrower has been in contact with us and has began a payment program to catch up his payments which we have received the first partial payment. Additionally, it appears that he is arranging funding to discharge our mortgage. We will be able to report further on this next month. As a precaution we made a site visit and monitored automobile and foot traffic for an hour to see how many fill ups at the pumps, traffic into the convenience store, and traffic through the drive through Tims. He was surprisingly busy and has rented out a portion of his large parking lot to a garden centre vendor which also brought in traffic. The Borrower takes a percentage of profits from the garden centre sales. It is clear that this Borrower is making an effort as noted in April and continues to work closely with us and toward a refinance of our mortgage.

As of May 1, we hold 30 mortgages totaling \$159,375,073. Our First Source Mortgage Fund holds 28 mortgage investments and \$76,604,516 of Assets Under Management. Below are key performance indicators for May that we want to highlight given the current crisis:

• May expected interest payments	\$1,382,959
• May interest payments received	\$1,280,955
• Collections Rate	93.0%
• Total Loans in the Fund	28
• Total Loans under Administration	30
• Mortgages Being Worked Out	1
• Mortgages in Power of Sale	1
• Mortgages In Process for Enforcement	1
• Total Mortgages In Default (from above)	3
• Total Defaulted Loans for which Property is Sold	0

The below charts depict First Source Mortgage Fund exposures by property type, rank and location in Ontario for May, which you may rely on a representative of all assets under administration.



Mortgages In Default:

- There are currently three mortgages in default representing \$93,604 of unpaid interest for May. A reduction from April largely due to the sale of the Huntmar Property;
- There was one NSF payment which is expected to be resolved;
- **Total non-performing mortgage principal outstanding of \$1.8 million (1 loan)**
We are receiving partial payments and are in negotiations with the Finch Borrower and we are working out of the Plains Road property;
- The Huntmar property was sold and closed in April reducing defaulted loans.
- All principal and interest is expected to be collected upon the sale or refinance of the three loans.

Property	Principal	Fund Portion	April Interest Outstanding	Notes
Finch	\$4,400,000	\$4,400,000	\$28,833	Sale aborted in Arrears
Plains Road	\$4,700,000	\$1,927,000	\$37,208	Paid to April
Whiteoaks	\$1,837,500	\$1,598,625	\$27,563	Power-of-Sale

It is our intention to keep you updated regularly as to any changes in payments and defaults as well as material changes to our portfolio or to specific syndicated mortgages. It remains

that although politicians are working to open up the economy there has been no fundamental change. There is no treatment or vaccine yet for COVID 19, so we are unable to anticipate the impact COVID 19 will have on our borrowers and our portfolio. We have confidence in the quick return of the GTA real estate market but that is likely a number of months from now and not weeks. Our Borrowers continue to show resilience and our portfolio stands strong. Redemptions and subscriptions in our fund will therefore remain temporarily suspended until we have greater market visibility.

Thank you for your trust, confidence and support. Stay home and stay healthy.

Yours Truly,

David Mandel
President