



March 23, 2020

Investor Update #2 – Covid Response

Dear Investor:

We continue to monitor the developing situation and want to ensure all of our investors that we have all the resources and technology in place so there will be no impact on the quality of service you are used to receiving. The entire First Source team want to thank you for your support and understanding. Our dedication to investors and unwavering commitment to the preservation of your investment capital is what we like to think differentiates us from others in our space.

Further to our last update, it is important to highlight our additional and enhanced protocols in managing and ensuring the uninterrupted performance of your mortgage investments and to provide you with peace of mind. We are in good shape to weather the storm.

Certain important factors set us apart from our peers and have served us well in the preservation of investor capital and strong and risk-adjusted returns historically. Our primary strength is in our deal selection process and diligent underwriting. It is this skill set and track record of performance that positions First Source in an elite group of private mortgage lenders that are approved to originate, underwrite, and manage institutional lender funds in the same way we manage your investments. We select and underwrite each mortgage investment to conservative institutional standards and are often refinanced by an institutional lender. In fact, we have recently been recognized for our conservative underwriting and lending policies resulting in a new strategic partnership with a Canadian Bank.

As it relates to current events, it is important to note, that in our conservative loan-to-value calculations, we often, and whenever possible, take interest reserves to provide payment certainty for investors. If not for a full term, we most often take an interest reserve for an estimated period required in the unlikely event of a forced disposition. The interest reserve when for term, which is more prevalent in our loans, ensures that any default will not be due to non-payment during the term of the loan. Where there is a partial interest reserve, we would employ the reserve funds to manage the costs of disposition without ever having to approach investors to fund such matters. We have no exposure to the sensitive hospitality or retail sectors in our portfolio. Our conservative lending practices include our review and restatement of most appraisals to a lower assumed value resulting in more conservative loans being made. Across our portfolio, the average Loan to Value Ratio is approximately 60% inclusive of interest reserves. Furthermore, our origination policy and portfolio construction are for First Mortgages only. We regularly communicate with borrowers to monitor their ongoing financial status and progress.

In order to better serve you, we are going to take the extraordinary step of providing you with a current and more detailed report on our mortgage portfolio. We will share our view of loans, and our commentary and expectations for the near future. In this way, we hope to better educate you on the relative safety and expected performance of your investments with First Source. We want to give you any and all added confidence in the performance of your investment and we will keep you updated as we navigate through these uncertain times.

Yours Truly,

David Mandel
President

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