

## OFFERING MEMORANDUM

### Form 45-106F2 – Offering Memorandum for Non-Qualifying Issuers

**Date:** August 12, 2017

**The Issuer**  
Name: **Red Mountain Ventures Limited Partnership**  
(the “Partnership”)

Head Office: 1938-C Columbia Avenue, Box 670, Rossland, British Columbia, Canada, V0G 1Y0  
Phone #: 250-362-5551  
E-mail address: Howard.Katkov@redmountainventures.com  
Fax #: 250-362-5833

Currently listed or quoted: No. **These securities do not trade on any exchange or market.**

Reporting issuer: No

SEDAR filer: No

**Investor Inquiries**  
For Canadian investor inquiries, contact:  
FrontFundr Support\*  
E-mail: support@frontfundr.com  
Toll Free: (800) 804-1524  
350-1122 Mainland Street, Vancouver, BC, V6B 5L1  
\*FrontFundr is a registered trademark and trade name of Silver Maple Ventures Inc.

For non-Canadian investor inquiries, contact:  
StartEngine Crowdfunding, Inc.  
E-mail: [hello@startengine.com](mailto:hello@startengine.com)  
Tel: (800) 317-2200  
925 N. La Brea Ave., Los Angeles, California, U.S.A., 90038

#### The Offering

Securities offered: Up to 1,000,000 limited partnership units of the Partnership designated as Class D Units, denominated in a Canadian dollar series (“**Series CDN\$**”) and a United States dollar series (“**Series USD\$**”) (each, a “**Class D Unit**” and together, the “**Class D Units**”).

Price per security: The offering price of the Class D Units of the Partnership will be CDN\$10.00 per Class D Unit, Series CDN\$ and USD\$10.00 per Class D Unit, Series USD\$.

Currency: **All references to dollar amounts in this Offering Memorandum shall be references to Canadian dollars unless stated otherwise.**

Minimum/Maximum offering: **The minimum Offering is \$1,500,000. The maximum Offering is \$10,000,000. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.**

Minimum subscription amount: CDN\$1,000 initial investment per Subscriber of Class D Units, Series CDN\$.  
USD\$1,000 initial investment per Subscriber of Class D Units, Series USD\$.

Payment terms: The full Subscription Price is payable by residents of Canada through the FrontFundr.com online platform and by residents of other countries through the StartEngine.com online platform. See Item 5.

Proposed closing date(s): First closing of the Offering is anticipated to occur in September or October 2017 for Canadian investors and in November 2017 for non-Canadian investors, or on such other dates as determined by the General Partner. Closings of subscriptions are anticipated to take place on a rolling basis in staged closings. See Item 5.2.

Selling agent: Yes. FrontFundr and StartEngine. See Item 7.

#### Resale restrictions

You will be restricted from selling your Class D Units for an indefinite period. See Item 10.

#### Purchaser’s rights

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11.

**No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8.**

## TABLE OF CONTENTS

	Page
<b>GLOSSARY OF TERMS .....</b>	<b>5</b>
<b>ITEM 1 USE OF AVAILABLE FUNDS .....</b>	<b>8</b>
AVAILABLE FUNDS .....	8
USE OF AVAILABLE FUNDS .....	8
REALLOCATION .....	9
<b>ITEM 2 BUSINESS OF THE ISSUER .....</b>	<b>9</b>
STRUCTURE .....	9
OUR BUSINESS .....	12
DEVELOPMENT OF BUSINESS .....	13
LONG TERM OBJECTIVES .....	14
SHORT TERM OBJECTIVES AND HOW WE INTEND TO ACHIEVE THEM .....	14
INSUFFICIENT FUNDS .....	15
MATERIAL AGREEMENTS .....	15
<b>ITEM 3 DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS .....</b>	<b>24</b>
COMPENSATION AND SECURITIES HELD .....	24
MANAGEMENT EXPERIENCE .....	25
PENALTIES, SANCTIONS AND BANKRUPTCY .....	27
LOANS .....	27
<b>ITEM 4 CAPITAL STRUCTURE .....</b>	<b>27</b>
CAPITAL .....	27
LONG TERM DEBT SECURITIES .....	28
PRIOR SALES .....	30
<b>ITEM 5 SECURITIES OFFERED .....</b>	<b>30</b>
TERMS OF SECURITIES .....	30
SUBSCRIPTION PROCEDURE .....	31
TIERED REWARDS .....	33
<b>ITEM 6 INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY .....</b>	<b>34</b>
INCOME TAX CONSEQUENCES .....	34
RRSP ELIGIBILITY .....	35
<b>ITEM 7 COMPENSATION PAID TO SELLERS AND FINDERS .....</b>	<b>35</b>
FRONTFUNDR AGENCY FEE .....	35
STARTENGINE AGENCY FEE .....	35
<b>ITEM 8 RISK FACTORS .....</b>	<b>36</b>
GENERAL .....	36
<b>ITEM 9 REPORTING OBLIGATIONS .....</b>	<b>43</b>
<b>ITEM 10 RESALE RESTRICTIONS .....</b>	<b>43</b>
GENERAL STATEMENT .....	43
RESTRICTED PERIOD .....	43
MANITOBA RESALE RESTRICTIONS .....	44
<b>ITEM 11 PURCHASERS' RIGHTS .....</b>	<b>44</b>
TWO DAY CANCELLATION RIGHT FOR ALL SUBSCRIBERS .....	44
RIGHTS FOR SUBSCRIBERS IN BRITISH COLUMBIA .....	44

RIGHTS FOR SUBSCRIBERS IN ALBERTA.....	45
RIGHTS FOR SUBSCRIBERS IN ONTARIO .....	46
RIGHTS FOR SUBSCRIBERS IN NEW BRUNSWICK.....	47
RIGHTS FOR SUBSCRIBERS IN NOVA SCOTIA .....	48
CONTRACTUAL RIGHTS OF ACTION FOR SUBSCRIBERS IN SASKATCHEWAN, MANITOBA AND QUEBEC.....	49
<b>ITEM 12 FINANCIAL STATEMENTS.....</b>	<b>51</b>
<b>ITEM 13 DATE AND CERTIFICATE .....</b>	<b>73</b>

## FORWARD LOOKING STATEMENTS

Certain information contained in this Offering Memorandum may be forward-looking statements or forward-looking information (referred to as “forward-looking statements”). Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. Examples of such forward-looking statements in this Offering Memorandum include, but are not limited to, financial and business prospects and financial outlooks. The forward-looking statements are based on certain assumptions, which include, amongst other things, whether the Partnership has sufficient capital to effect its objectives, whether the objectives will produce the results intended by the General Partner, and whether the markets will react and perform in a manner consistent with the business objectives. Although the General Partner believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and that information received from third parties is reliable, it can give no assurance that those expectations will prove to have been correct.

Forward-looking statements are subject to certain risks and uncertainties that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, changes in general economic and market conditions and other risk factors. Accordingly, readers should not place undue reliance upon the forward-looking statements contained in this Offering Memorandum and such forward-looking statements should not be interpreted or regarded as guarantees of future outcomes. Any forward-looking statements contained in this Offering Memorandum are expressly qualified, in their entirety, by this cautionary statement.

**Any forward-looking statements contained in this Offering Memorandum are made as of the date hereof and the General Partner does not undertake to update or revise them, except as may be required by applicable securities law.**

## MARKETING MATERIALS AND DOCUMENTS INCORPORATED BY REFERENCE

The written disclosures made by the Partnership on its website at [www.redresort.com](http://www.redresort.com), on FrontFundr’s website at [www.frontfundr.com](http://www.frontfundr.com) and on StartEngine’s website at [www.startengine.com](http://www.startengine.com) with respect to the Offering, and any other written marketing materials relating to the distribution of Class D Units under this Offering Memorandum and delivered or made reasonably available to prospective purchasers prior to the termination of the distribution of the Class D Units under the Offering, are hereby specifically incorporated by reference into and form an integral part of this Offering Memorandum.

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

## GLOSSARY OF TERMS

The following terms used in this Offering Memorandum have the meanings set out below:

<b>“Auditor”</b>	means HRP CPAs and Consultants, or any successor auditor of the Partnership chosen by the General Partner.
<b>“BCBCA ”</b>	means the <i>Business Corporations Act</i> (British Columbia).
<b>“Business Day”</b>	means any day other than a Saturday, Sunday, or any other day that is treated as a holiday in Rossland, British Columbia, Canada.
<b>“Certificate of Limited Partnership”</b>	means the Certificate of Limited Partnership of the Partnership originally filed on May 14, 2004 with the BC Registrar of Companies, as amended from time to time.
<b>“Class A Units”</b>	means the Class A units of the Partnership issued in accordance with the Partnership Agreement.
<b>“Class B Units”</b>	means the Class B units of the Partnership issued in accordance with the Partnership Agreement.
<b>“Class C Units”</b>	means the Class C units of the Partnership issued in accordance with the Partnership Agreement.
<b>“Class C2 Units”</b>	means the Class C2 units of the Partnership issued in accordance with the Partnership Agreement.
<b>“Class D Units”</b>	means the Class D units of the Partnership issued in accordance with the Partnership Agreement, denominated in a Canadian dollar series (“ <b>Series CDN\$</b> ”) and a United States dollar series (“ <b>Series USD\$</b> ”).
<b>“Closing”</b>	means the day or days upon which the Class D Units are issued to the Subscribers pursuant to this Offering.
<b>“FrontFundr”</b>	means the FrontFundr crowdfunding tradename of Silver Maple.
<b>“FrontFundr Agency Agreement”</b>	means the agency agreement between the Partnership and Silver Maple dated March 13, 2017 pertaining to the FrontFundr Platform.
<b>“FrontFundr Platform”</b>	means the FrontFundr online platform owned and operated by Silver Maple, located at <a href="http://www.frontfundr.com">www.frontfundr.com</a> .
<b>“General Partner”</b>	means Red Mountain Ventures G.P. Ltd.
<b>“Partnership”</b>	means Red Mountain Ventures Limited Partnership.
<b>“Juice Trust”</b>	means the Juice Trust dtd 1/24/96 Trust 3, established under the laws of California.

<b>“Juice Trust Credit Agreement”</b>	means the credit agreement dated April 28, 2016, as amended December 1, 2006 and August 29, 2008, and amended and restated on April 18, 2012 and again on August 16, 2013, among RMR, as borrower, the Partnership, as covenantor, and the Juice Trust and the Woods Trust, as lenders.
<b>“Limited Partners”</b>	means any holder of Class A Units, Class B Units, Class C Units and/or Class D Units.
<b>“NI 45-106”</b>	means National Instrument 45-106 – “ <i>Prospectus Exemptions</i> ”.
<b>“Offering”</b>	means the offering of the Class D Units described herein or in any amendment hereto.
<b>“Offering Memorandum”</b>	means this offering memorandum of the Partnership dated August 9, 2017, including any amendments hereto.
<b>“Partners”</b>	means the Limited Partners and the General Partner, and a “ <b>Partner</b> ” means any of them.
<b>“Partnership Act”</b>	means the <i>Partnership Act</i> (British Columbia).
<b>“Partnership Agreement”</b>	means the Red Mountain Ventures Limited Partnership Agreement dated May 14, 2004, as amended May 13, 2009, August 5, 2011, April 4, 2012, June 29, 2017 and June 30, 2017 among the General Partner and the Limited Partners.
<b>“Person”</b>	means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.
<b>“RED”</b>	means the Partnership and its subsidiaries and affiliates that carry on the RED Business.
<b>“RED Business”</b>	means the business of owning and operating the RED Ski Resort at Rossland, British Columbia and owning and developing certain real estate surrounding the RED Ski Resort.
<b>“RED Mountain”</b>	means the real property comprising the RED Ski Resort and certain surrounding areas owned by RED.
<b>“RED Ski Resort”</b>	means the RED Mountain ski resort located at Rossland, British Columbia, Canada.
<b>“RED Retail and Rental”</b>	means the ski retail, rental and service business carried on by Leroi Acquisition Corp. at Rossland, British Columbia, Canada.

<b>“RMR”</b>	means RMR Acquisition Corp.
<b>“Shareholders’ Agreement”</b>	means the shareholders’ agreement dated May 14, 2004, as amended March 22, 2012, among the General Partner and its shareholders.
<b>“SIDIT”</b>	means Southern Interior Development Initiative Trust.
<b>“SIDIT Credit Agreement”</b>	means the credit agreement dated August 16, 2013 between SIDIT, as lender, RMR, as borrower, and the Partnership, as covenantor.
<b>“SIDIT Credit Facility”</b>	has the meaning set out under Item 2.7 – “Material Agreements – SIDIT Credit Agreement” hereto.
<b>“Silver Maple”</b>	means Silver Maple Ventures Inc., a British Columbia corporation.
<b>“StartEngine”</b>	means StartEngine Crowdfunding Inc., a Delaware corporation.
<b>“StartEngine Platform”</b>	means the StartEngine online platform owned and operated by StartEngine, located at <a href="http://www.startengine.com">www.startengine.com</a> .
<b>“StartEngine Posting Agreement”</b>	means the posting agreement entered into between the Partnership and StartEngine dated June 28, 2016, as amended.
<b>“Subscriber”</b>	means a Person who subscribes for Class D Units of the Partnership.
<b>“Subscription Agreement”</b>	means a subscription agreement for Class D Units in such form or forms as the General Partner may prescribe from time to time.
<b>“Subscription Price”</b>	means the amount of CDN\$10.00 per Class D Unit, Series CDN\$ and USD\$10.00 per Class D Unit, Series USD\$.
<b>“Tax Act”</b>	means the <i>Income Tax Act</i> (Canada) and the regulations promulgated thereunder, as amended from time to time.
<b>“Woods Trust”</b>	means the Woods/Mitchell Family Trust dated January 25, 1999.

**ITEM 1  
USE OF AVAILABLE FUNDS**

**Available Funds**

1.1 The following table discloses the funds available as a result of the Offering:

		<b>Assuming Minimum Offering</b>	<b>Assuming Maximum Offering</b>
A.	Amount to be Raised by this Offering	\$1,500,000	\$10,000,000
B.	Selling Commissions and Fees <sup>(1)</sup>	\$30,263	\$161,513
C.	Estimated Offering Costs (ie. legal, accounting, audit, tiered rewards) <sup>(2)</sup>	\$412,195	\$809,861
D.	Available Funds: D = A – (B+C)	\$1,057,542 <sup>(3)</sup>	\$9,028,626
E.	Additional Sources of Funding Required	\$900,000 <sup>(4)</sup>	\$0
F.	Working Capital Deficiency	\$0	\$0
G.	Total: G = (D+E) - F	\$1,957,542	\$9,028,626

- (1) Selling commissions and fees under minimum offering include estimated agent's commissions of \$23,162 (based on estimates of numbers of investors from preliminary crowdfunding response data) plus \$7,101 in agent's due diligence fees. Selling commissions and fees under maximum offering include estimated agent's commissions of \$154,412 plus \$7,101 in agent's due diligence fees.
- (2) Estimated Offering costs under minimum Offering include estimated costs of \$66,689 in providing tiered rewards (based on estimates of numbers of rewards at each level generated from preliminary crowdfunding response data) plus \$345,506 in legal, audit and accounting fees and under maximum Offering include estimated costs of \$444,590 in providing tiered rewards plus \$365,271 in legal, audit, accounting and other fees and expenses.
- (3) If only the minimum proceeds are raised under the Offering, the new clubhouse and overnight cabins to be located on either Grey Mountain or Granite Mountain will be reduced in scope of project.
- (4) Remodelling the Paradise Lodge, high performance rental and Piste Off retail operations is proceeding regardless of whether or not the minimum Offering is achieved, and if funds from the Offering are not sufficient to fund this project, the Partnership intends to arrange for alternative sources of financing, including loans and use of excess working capital, to the extent available. In order to have this project completed in time for the winter 2017-18 ski season, the project has been commenced and a short term loan to assist with the project in the amount of \$500,000 was made to RMR on approximately July 7, 2017 by Jeff Busby, a director of the General Partner. See Item 3.4.

**Use of Available Funds**

1.2 The following table provides a detailed breakdown of how the Partnership will use the funds available as a result of the Offering:

<b>Description of Intended Use of Available Funds Listed in Order of Priority</b>	<b>Assuming Minimum Offering</b>	<b>Assuming Maximum Offering</b>
Building a new clubhouse and overnight on-mountain cabins on Grey Mountain or Granite Mountain <sup>(1)</sup>	\$1,057,542 <sup>(2)</sup>	\$2,000,000
Remodelling the Paradise Lodge, high performance rental and Piste Off retail operations	\$0	\$900,000 <sup>(3)</sup>

<b>Description of Intended Use of Available Funds Listed in Order of Priority</b>	<b>Assuming Minimum Offering</b>	<b>Assuming Maximum Offering</b>
Additional run development for expanded cat skiing on Mount Kirkup	\$0	\$100,000
Building a multi-use trail for hiking and mountain biking from the base area to the top of Grey Mountain connecting to the Seven Summits trail system	\$0	\$100,000
Creating an annual local academic scholarship fund for higher education	\$0	\$80,000
Construction of formal entry to south side of Day Lodge from highway	\$0	\$750,000
Parking Lot Expansion	\$0	\$100,000
Construction of Administration Building behind Day Lodge	\$0	\$600,000
General Working Capital	\$0	\$4,398,626 <sup>(4)</sup>
<b>Total:</b>	<b>\$1,057,542</b>	<b>\$9,028,626</b>

- (1) To be located on either Grey Mountain or Granite Mountain, in either case on a location of similar beauty, dependant upon developmental studies, after completion of the Offering.
- (2) If only the minimum Offering is achieved, the new clubhouse and overnight cabins to be located on either Grey Mountain or Granite Mountain will be reduced in scope of project.
- (3) Work has commenced on remodelling the Paradise Lodge, high performance rental and Piste Off retail operations and is currently being financed by a short term loan in the amount of \$500,000 made to RMR on approximately July 7, 2017 by Jeff Busby, a director of the General Partner. See Item 3.4. Part of the proceeds of the maximum Offering will be used to repay this short term loan.
- (4) The Partnership may use working capital for further improvements on RED Mountain and to repay a portion of institutional debt ahead of schedule with any funds available for general working capital in order to reduce debt servicing costs. See Item 2.7 – “Material Agreements – Third Party Debt” and Item 4.2 – “Long Term Debt Securities”.

## **Reallocation**

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

## **ITEM 2 BUSINESS OF THE ISSUER**

### **Structure**

2.1 The Partnership was formed as of May 14, 2004 under the name “Red Mountain Ventures Limited Partnership” and became a limited partnership under the laws of British Columbia on May 14, 2004 by filing a Certificate of Limited Partnership in accordance with the Partnership Act.

The General Partner is Red Mountain Ventures G.P. Ltd. The General Partner was incorporated under the BCBCA on September 19, 2003. The head office and principal business address of the General Partner and the Partnership is 1938 – C Columbia Avenue, Box 670, Rossland, British Columbia, Canada

V0G 1Y0. The registered office of the General Partner and the Partnership is 1900 – 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3H4.

***The General Partner***

The General Partner is responsible for the management of the Partnership on a day-to-day basis in accordance with the terms and conditions of the Partnership Agreement and does not now, and does not intend to, carry on any other business except as disclosed in this Offering Memorandum. The management services to be provided by the General Partner to the Partnership include, without limitation, conducting the ongoing business operations of the Partnership, undertaking all required filings under the Tax Act, and doing all things required by the Partnership.

***The Limited Partners***

The rights and obligations of the Limited Partners are governed by the Partnership Agreement and the Partnership Act. See Item 2.7 – “Material Agreements” for a summary of the key terms of the Partnership Agreement. This Offering Memorandum does not include a detailed discussion of all the details of the Partnership Agreement and each Subscriber should carefully review the Partnership Agreement itself, available upon request, for full details.

***RMR Acquisition Corp.***

RMR, a wholly owned subsidiary of the Partnership, owns the real property comprising the RED Ski Resort and the office furniture and equipment located at the RED Business offices. RMR, directly or indirectly, through a number of subsidiaries and affiliates, has an ownership interest in certain real estate surrounding the RED Ski Resort.

***Red Resort Limited Partnership***

Red Resort Limited Partnership is a wholly owned subsidiary of RMR and operates the RED Ski Resort. Red Resort Limited Partnership owns the assets related to the mountain operations of the RED Ski Resort (buildings, lifts and associated equipment).

***Leroi Acquisition Corp.***

Leroi Acquisition Corp. is a wholly owned subsidiary of the Partnership and operates RED Retail and Rental at the RED Ski Resort.

***Red Property Management Ltd.***

Red Property Management Ltd. is a wholly owned subsidiary of RMR and provides reservations and property management services for the rental units at the base of RED Mountain.

***Other Non-Material Subsidiaries and Affiliates***

***Hannah Creek Limited Partnership***

This partnership owns certain property in Rossland, British Columbia, which was to be subdivided and developed into approximately 50 condominium units contained in two three-to-five storey buildings and related infrastructure. RMR owns a 50% interest in this partnership and third party investors own the remaining 50% interest. This partnership is currently inactive.

### Slalom Creek Limited Partnership

This partnership developed certain property located in the central base area of the RED Ski Resort into 67 condominium units which have since been sold. RMR owns approximately a 46.5% interest in the partnership and third party investors own the remaining 53.5% interest. This partnership is inactive and is expected to be dissolved at some point in the future.

### Red Development Co. Ltd.

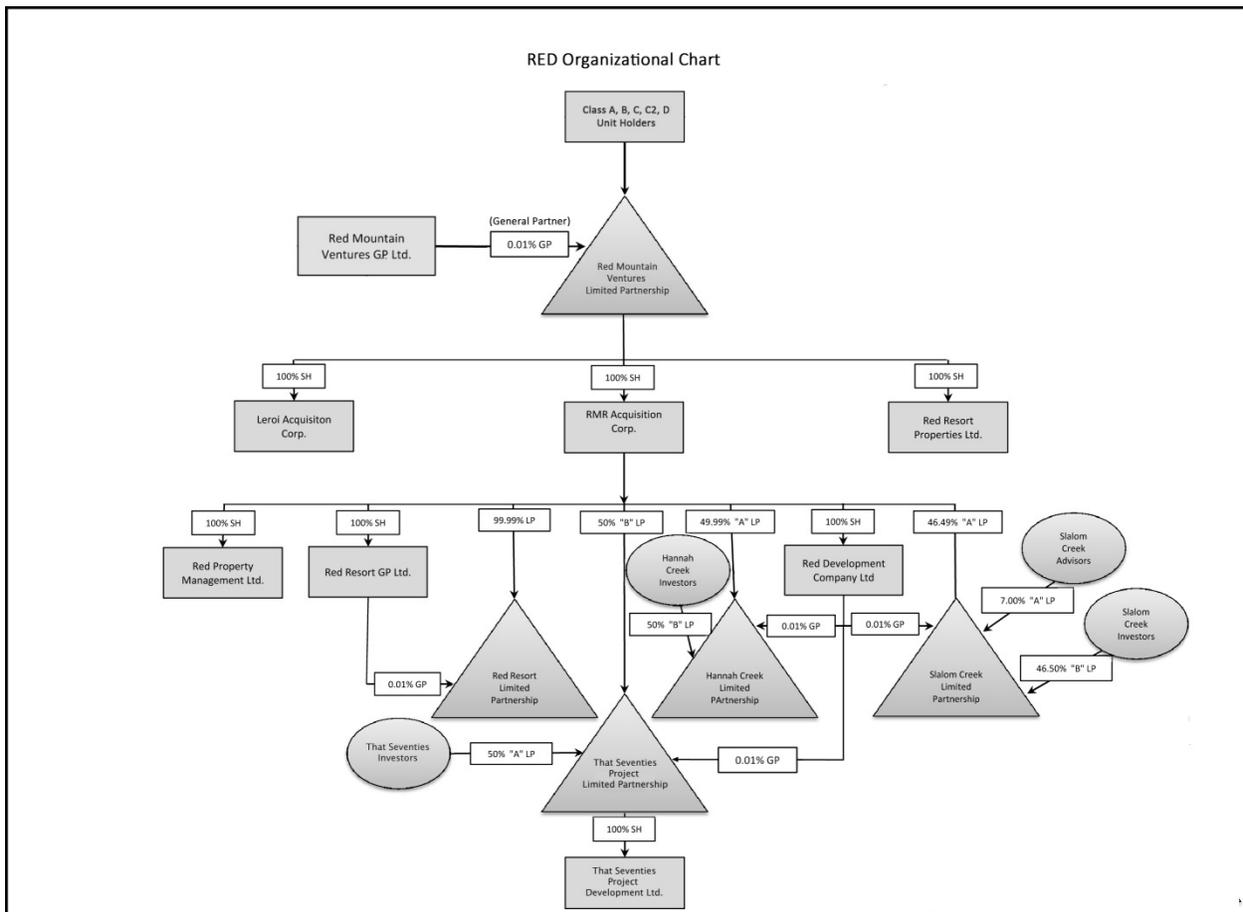
Red Development Co. Ltd., a wholly-owned subsidiary of RMR, acts as general partner to Hannah Creek Limited Partnership and Slalom Creek Limited Partnership. In addition, Red Development Co. Ltd. provides research and investigative services to assist with feasibility analyses of potential future projects at RED Mountain, including further marketing of Caldera, the potential development of an 82-90 pillow youth hostel and the potential development of an additional 64 unit condominium project.

### That Seventies Project Limited Partnership

This partnership beneficially owns and subdivided real property for sale near the base of the RED Ski Resort through its wholly-owned subsidiary That Seventies Project Development Ltd. The subdivided lots are marketed as the "Caldera" development. RMR owns a 50% interest in That Seventies Project Limited Partnership and third party investors own the remaining 50% interest.

### Organizational Chart

The organizational chart below sets out the corporate structure of RED.



## Our Business

2.2 The Partnership was established for the purpose of conducting the business of owning and operating the RED Ski Resort at Rossland, British Columbia and owning and developing certain real estate surrounding the RED Ski Resort (the “**RED Business**”).

After the purchase of RED Mountain in 2004, RED invested nearly \$8 million on the initial development area, which included new roads in and around the base area of RED Mountain and the servicing of 11 multi-family residential lots, which residential lots were later developed by RED and third parties into the following condo and hotel projects:

- (a) Slalom Creek Condo Development: completed in December 2007, Slalom Creek added 67 ski-in/ski-out condominium units at the base of RED Mountain and features 2- and 3-bedroom units ranging from 1,100 square feet to 1,700 square feet. Slalom Creek also includes spacious common areas and a private, secure 85-stall underground parking garage making it easier for residents and their guests to enjoy RED Mountain’s world-renowned terrain and host of on-mountain destination activities. All Slalom Creek condo units have been sold;
- (b) Morning Star and TMP Compound Development: the underlying real estate sold by RMR to third parties in 2006 and the project completed at the end of 2008, the Morning Star development features 18 luxury suites while the TMP Compound features 10 units at the base of RED Mountain with a strong focus on green building techniques; and
- (c) Josie Hotel: the underlying real estate sold by RMR to third parties in October 2007 and first phase expected opening at the base of RED Mountain in the first half of 2018, the Josie Hotel will be one of the first architecturally unique hotels to be built at a major ski resort in North America in over a decade. It will feature a modern, 106-room boutique hotel, right at the base of RED Mountain. The Josie Hotel will encompass a restaurant, bar, conference and meeting rooms, a large function deck and a spa including an outdoor slope-side pool. The Josie Hotel is owned and will be operated by a third party.

Since RED acquired RED Mountain in 2004, in addition to operating the RED Ski Resort, a number of improvements have been made at the RED Ski Resort and the surrounding base area including the following:

- (a) New Silverlode Chairlift & Expanded Beginner Terrain: In December 2007, the Dopplemayr CTEC Quad Chairlift opened. The quad chairlift, which replaced the previous Silverlode chair, was aligned to access the new beginner and intermediate terrain which spans over 100 acres;
- (b) Terrain Park: Over the 2007/2008 period, RED Mountain opened its new and improved terrain park, with features that included a sound system, new jumps and a skier/boarder-cross;
- (c) Magic Carpet: The magic carpet was extended and moved behind the Snowsports building. This improved magic carpet has allowed for a more gradual slope for beginners and easy access from the Snowsports School. In addition, the T-bar is now easily accessible from the top of the magic carpet;
- (d) Snowsports School Relocation: The Snowsports School was relocated to a new stand-alone building adjacent to the magic carpet. The Snowsports School provides

accessibility not only to instructors but also to a wide variety of outbound guiding options, avalanche control classes, and to a testing center of the latest gear;

- (e) Snowshoe loops: The newly enhanced snowshoe loops provide a wide variety of activity for athletes of all levels;
- (f) Renovation and Expansion of the Historic Day Lodge: One of the most significant changes at RED Mountain was the \$2.7 million base lodge renovation and expansion. The new lodge and conference center was completed and fully operational as of December 11, 2010;
- (g) Grey Mountain Terrain Expansion: In December of 2014, the chairlift installation and run development on Grey Mountain, a \$2.2 million capital investment, was opened to the public. The addition of over nine hundred acres of new ski terrain placed RED Mountain tied for 18th in skiable acres in North America (top three percent), and 8th in skiable acres in Canada (top five percent);
- (h) Legacy Training Centre at RED Mountain: In 2014-2015, RED invested \$2.2 million in a state of the art Techno Alpin snowmaking system for the first phase of the new Legacy Training Centre. In 2015, RED further expanded the snowmaking system at the top of RED Mountain; and
- (i) Get Lost Adventure Centre: In 2016, RED launched The Get Lost Adventure Centre.

In connection with the ongoing improvements and expansion efforts, the Partnership is issuing Class D Units and investing the proceeds to achieve the fundamental objectives described in Item 1.2 – “Use of Available Funds”.

## **Development of Business**

2.3 The Partnership’s RED Ski Resort has just experienced its two most successful ski seasons (fiscal years ended April 30, 2016 and 2017) on record (records dating back to 1988).

Compared to an average of the previous best four seasons since current ownership of RED was acquired in 2004, the 2015/16 season saw an 8% increase in guest visits. The 2016/17 ski season saw guest visits increase 21% compared to the same four season average. The 2016/17 ski season saw a corresponding increase in lift revenues of 23.9% over 2015/16 (lift revenue was USD\$3,883,567 for fiscal year ended April 30, 2017 and USD\$3,135,534 for fiscal year ended April 30, 2016).

The Partnership’s real estate division remained in a holding pattern over the Partnership’s last two fiscal years. RED’s real estate land sale activity has been minimal the last two fiscal years; however, RED has recently seen expressions of interest regarding some of RED’s land holdings. RED is in early discussions regarding a proposed joint venture of a modern 82-90 pillow youth hostel pursuant to which RED would potentially sell or contribute a subdivided lot in RED’s lower parking as the site for the hostel and potentially act as the general partner of the joint venture and as developer of the project.

As shown on the Consolidated Statement of Operations for 2017, the Partnership experienced a loss from operations for the 2017 fiscal year of USD\$114,096. However, this includes depreciation expense of USD\$653,882, which is a non-cash item and therefore not a typical operating expense. Adding depreciation back to the loss from operations gives a positive operating cash flow of USD\$539,786 for the 2017 year for the consolidated entity.

In addition to its ski resort operations RED Mountain, in conjunction with the 2018 opening of the \$45,000,000 106-unit Josie Hotel, is now actively marketing the numerous existing activities available during the other three seasons of the year. This effort began 18 months ago with the creation of the Get Lost Adventure Center. Get Lost has a permanent location at the base of RED Mountain as well as a centralized on-line booking engine offering year-round concierge services for such recreational activities as mountain biking, mountaineering, fishing and trail rides in conjunction with established operators in the Kootenay region. The Josie Hotel will likewise aim to position itself as a true four-season resort and will take advantage of the activities offered at Get Lost. These activities, along with events, conferences and weddings are expected to start to generate additional revenue and profits for RED going forward.

### Long Term Objectives

2.4 The Partnership’s long term objectives are to (a) complete this Offering, (b) attain a stable level of 175,000 skier visits annually, (c) establish RED Mountain as a four season activity destination, and (d) secure additional sales of real property to residential or commercial developers.

The time and cost to complete these events cannot be confirmed and there is no assurance that any of these events will occur within the anticipated timeline or at all.”

### Short Term Objectives and How We Intend to Achieve Them

2.5 The Partnership’s objectives and actions for the next 12 months are discussed below.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our Cost to complete
Complete this Offering	March 31, 2018	For a breakdown of anticipated costs, see <i>Item 1.2</i> – Use of Available Funds.
Building a new clubhouse, and overnight on-mountain cabins	November 2018	For a breakdown of anticipated costs, see <i>Item 1.2</i> – Use of Available Funds.
Remodelling the Paradise Lodge, high performance rental and retail operations	November 2017	\$900,000
Parking Lot Expansion	November 2017	\$100,000
Additional run development for expanded cat skiing on Mount Kirkup	November 2018	\$100,000
Building a multi-use trail for hiking and mountain biking from the base area to the top of Grey Mountain connecting to the Seven Summits trail system	November 2018	\$100,000
Creating an annual local academic scholarship fund for higher education	November 2018	\$80,000

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our Cost to complete
Construction of formal entry to south side of Day Lodge from highway	November 2018	\$750,000

The time and cost to complete these events cannot be confirmed and there is no assurance that any of these events will occur within the targeted dates or at all within the anticipated cost.

### Insufficient Funds

2.6 The available funds as a result of the Offering may not be sufficient to accomplish all of the Partnership's proposed objectives and there is no assurance that alternative financing will be available.

### Material Agreements

2.7 The following agreements are material to the Offering and to the Partnership:

#### *Partnership Agreement*

On the acceptance of a Subscription Agreement from a Subscriber for Class D Units, such Subscriber shall automatically be deemed to be a Limited Partner and a party to the Partnership Agreement. **Subscribers are encouraged to review the contents of the Partnership Agreement, available on request, prior to subscribing for Class D Units.**

The Partnership Agreement, was entered into on May 14, 2004 among the General Partner and the initial Limited Partners. The Partnership Agreement was subsequently amended on May 13, 2009, August 5, 2011 and April 4, 2012 and amended and restated on June 29, 2017 and again on June 30, 2017. The Partnership Agreement sets out the terms by which the Partnership will be governed. Pursuant to the Partnership Agreement, Red Mountain Ventures G.P. Ltd. is the General Partner acting on behalf of the Partnership. The General Partner is authorized to carry on the business of the Partnership, with full power and authority to administer, manage, control and operate the business of the Partnership. The Limited Partners have no direct involvement in the management or day-to-day operations of the Partnership. No Limited Partner is or shall be entitled to: (i) take any part in the control or management of the business of the Partnership or exercise any power in connection therewith or transact any business for the Partnership; (ii) execute any document which binds or purports to bind the Partnership or the General Partner; (iii) purport to have the power or authority to bind the Partnership or the General Partner; or (iv) have any authority or power to act for or undertake any obligation or responsibility on behalf of the Partnership.

Pursuant to the Partnership Agreement, the General Partner is in charge of managing and overseeing the raising of funds pursuant to the Offering, the Closings under the Offering and completion of the Offering, the use of available funds raised pursuant to the Offering and the Partnership's ongoing investment in RED Mountain and the subsequent return of funds to Subscribers, as applicable. The General Partner has the right, in its sole discretion, to accept or to refuse any particular subscription for a unit, which as defined in the Partnership Agreement, includes Class A Units, Class B Units, Class C Units, and Class D Units.

## Distributions

The Partnership Agreement, amongst other things, governs the manner in which cash distributions of the Partnership and allocations of income and/or losses will be made. Cash available for distribution, as determined by the General Partner in its sole discretion, will be distributed to the Limited Partners pursuant to the Partnership Agreement on the following basis:

- (a) first, to the holders of Class D Units on a pro rata basis based on capital contributions until each has received an amount equal to 100% of its capital contribution (with USD\$ being notionally converted to CDN\$ on the date of distribution for the purpose of the pro rata calculation);
- (b) second, to the holders of Class C Units on a pro rata basis until each has received an amount equal to 100% of its capital contribution;
- (c) third, to the holders of Class C2 Units until each has received an amount equal to (i) its applicable pro rata share of \$9,474,801 plus (ii) its applicable pro rata share of an additional \$7,523 per day from June 30, 2017 up until the earlier of (A) April 18, 2019 and (b) the date of distribution to the holders of Class C2 Units;
- (d) fourth, to the holders of Class B Units issued on or after August 5, 2011 as follows:
  - (i) to the holders of the most recently issued Class B Units on a pro rata basis until each has received an amount equal to 100% of its capital contribution;
  - (ii) to the holders of the second most recently issued Class B Units on a pro rata basis until each has received an amount equal to 100% of its capital contribution; and
  - (iii) the above distribution process will be repeated for each such separate dates that Class B Units were issued on or after August 5, 2011 until each holder of such Class B Units has received an amount equal to 100% of its capital contribution;
- (e) fifth, to the holders of Class B Units issued before August 5, 2011 on a pro rata basis until each has received an amount equal to 100% of its capital contribution; and

thereafter, any remaining cash available for distribution will be distributed between the holders of Class A Units, Class B Units, Class C Units, Class C2 Units and Class D Units as follows:

- (f) the aggregate participation total (the “**Aggregate Participation Total**”) will be determined by adding a deemed capital contribution of \$2,250,000 in the aggregate for the Class A Units, plus a deemed capital contribution of \$12,750,000 in the aggregate for the Class B Units, plus the actual aggregate amount of capital contributions made by the holders of Class C Units (as of the date of this Offering Memorandum, \$23,694,824), plus a deemed capital contribution of the aggregate amount which the Class C2 Unit holders have received under paragraph (c) above, plus the actual aggregate amount of capital contributions (subscriptions) made by the Class D Units;
- (g) the distribution will be divided amongst each of the classes of Units in the proportion that the aggregate capital contributions and deemed capital contributions of each Class bears to the Aggregate Participation Total; and
- (h) holders of each class of Units will participate in the distribution allocated to such class of Units pro rata in proportion to the number of Units of that class held, with certain adjustments for

holders of Class C2 Units amongst themselves and provided further that Class D Unit pro rata calculations will be based on capital contributions rather than number of Units held (with USD\$ being notionally converted to CDN\$ on the date of distribution for the purpose of the pro rata calculation).

In determining cash available for distribution of the Partnership, the General Partner will give first priority to ensuring RED's debt obligations are met in respect of debt owing to institutional lenders (presently, Bank of Montreal, Western Economic Diversification Canada, Community Futures Development Corporation of Greater Trail and SIDIT).

As an example of a distribution made in paragraphs (f) to (h) above (a "**Residual Distribution**") following the repayment of capital contributions and other payments made pursuant to paragraphs (a) to (e) above (and following any debt servicing obligations to institutional lenders), assuming the Residual Distribution is made (i) after April 18, 2019 (and as a result all accruals in paragraph (c) above have taken place), (ii) after \$10,000,000 in aggregate of Class D Units have been issued (the maximum Offering), and (iii) with no further Class C Units issued, then (A) the Aggregate Participation Total is equal to \$2,250,000 for the Class A Units plus \$12,750,000 for the Class B Units plus \$23,694,824 for the Class C Units, plus \$14,410,153 for the Class C2 Units, plus \$10,000,000 for the Class D Units, for an Aggregate Participation Total of \$63,104,977; (B) the Class A Units will be allocated 3.57% of the Residual Distribution ( $\$2,250,000/\$63,104,977 \times 100\%$ ); (C) the Class B Units will be allocated 20.20% of the Residual Distribution ( $\$12,750,000/\$63,104,977 \times 100\%$ ); (D) the Class C Units will be allocated 37.55% of the Residual Distribution ( $\$23,694,824/\$63,104,977 \times 100\%$ ); (E) the Class C2 Units will be allocated 22.84% of the Residual Distribution ( $\$14,410,153/\$63,104,977 \times 100\%$ ); and (F) the Class D Units will be allocated 15.85% of the Residual Distribution ( $\$10,000,000/\$62,604,977 \times 100\%$ ). *This example is for illustration purposes only and actual distributions, if they occur, may be materially different depending on the number and class of Units that have been issued at the time of the distribution. No Residual Distributions are anticipated for the foreseeable future.*

#### Other Notable Terms

Other notable terms in the Partnership Agreement are as follows:

- (a) Power of Attorney: Each Limited Partner irrevocably grants the General Partner a power of attorney with respect to certain administrative matters, including the execution of filings of the Partnership required to keep it in good standing as a limited partnership, any amendment to the Partnership Agreement or any amendment to the register maintained by the General Partner to record the unitholdings of the Limited Partners or any amendment to the Certificate of Limited Partnership filed with the BC Registrar of Companies, instruments in connection with the dissolution or termination of the Partnership, any assignment or transfer of units and elections in respect of income tax matters, and any documents deemed necessary or advisable to carry on the business of the Partnership or the provisions of the Partnership Agreement including instruments required by governmental bodies in connection with the Partnership or its business. The power of attorney is enduring and survives the disability and/or death of a Limited Partner;
- (b) Liability: The General Partner will have unlimited liability for the debts, liabilities and obligations of the Partnership. Subject to the Partnership Act, the liability of a Limited Partner for the debts, liabilities and obligations of the Partnership shall be limited to the amount of the subscription price in respect of the units held by such Limited Partner. A Limited Partner will not be liable for any further claims, assessments or contributions to

the Partnership except that if a Limited Partner is also the General Partner it will be liable to third parties as such;

- (c) Organizational Expenses: The Partnership shall reimburse the General Partner for organizational expenses incurred;
- (d) Right of First Offer for Class D Units: In the event that the Partnership desires to create and issue any Units ranking in priority to the Class D Units, the Partnership must first offer the holders of Class D Units the right to subscribe for such Units, pro rata in proportion to the capital contributions made by each Class D Unit holder (with USD\$ being notionally converted to CDN\$ on the date of the offer for the purpose of the pro rata calculation), which offer will remain open for a period of seven days for acceptance. The Partnership may then issue any remaining priority Units to other parties for a period of 120 days.
- (e) Right of First Offer for Class B Units: In the event that the Partnership desires to issue any additional Class B Units, the Partnership must first offer the holders of Class B Units the right to subscribe for such Units, pro rata in proportion to the number of Class B Units held by each Class B Unit holder.
- (f) Restrictions on Further Issuance of Class C2 Units: In the event that the Partnership desires to issue any additional Class C2 Units, the Partnership must first obtain the prior written consent of all of the holders of Class C2 Units.
- (g) Piggy-Back Rights: In the event that a sale of units in accordance with the Partnership Agreement would result in a change of control of the Partnership, then such Limited Partner offering the units for sale is required to provide notice to the other Limited Partners who then have the right to require any arm's length buyer to purchase their units as well;
- (h) Carry-Along Requirement: If any Limited Partner receives a *bona fide* offer from an arm's length third party which such Limited Partner wishes to accept and the offer contains a provision that the purchaser will only complete the sale if the purchaser acquires all of the issued and outstanding units of the Partnership, then such Limited Partner will immediately notify the remaining Limited Partners of such offer, and if the Limited Partners holding at least 75% of the units wish to accept the offer, then such Limited Partners have the right to require any objecting Limited Partners to sell all of the units held by them to the purchaser;
- (i) Rights to Amend: The General Partner may, at any time, amend any provision of the Partnership Agreement provided that such amendment is to cure an ambiguity or to correct or supplement any provisions which may be defective or inconsistent and further provided that such cure or correction does not adversely affect the interests of the Limited Partners. All other amendments will require the approval of (i) the General Partner; (ii) holders of more than 50% of the then issued and outstanding Class A Units, in writing or by ordinary resolution passed at a meeting of holders of Class A Units, voting separately as a class; (iii) holders of more than 50% of the then outstanding Class B Units, in writing or by ordinary resolution passed at a meeting of holders of Class B Units, voting separately as a class; and (iv) holders of more than 50% of the then outstanding Class C Units, in writing or by ordinary resolution passed at a meeting of holders of Class C Units, voting separately as a class. Class D Unit holders will not be entitled to vote on an amendment unless such amendment adversely affects the rights of Class D Unit holders.

The creation of one or more new classes of units ranking in priority to Class D Units will only require Class D Unit holder approval if the holders of Class D Units are not afforded a right of first refusal to participate in the subscription of such new units as described above in paragraph (d). If Class D Unit holder approval is required, such approval will require the approval in writing or by resolution passed at a meeting of holders of more than 50% of the then outstanding Class D Units, voting separately as a class.

- (j) Matters Approved by Special Resolution: Certain matters require the consent of the Limited Partners by special resolution, including but not limited to (i) the sale of substantially all of the assets of the Partnership; (ii) the consolidation or merger of the Partnership with any corporation, partnership, unincorporated association or other legal entity; and (iii) the making of any cash distributions to the Partners other than distributions made in accordance with the terms of the Partnership Agreement. Special resolution means (A) the consent in writing or affirmative vote at a meeting by the holders of more than 75% of the then outstanding Class A Units; (B) the consent in writing or affirmative vote at a meeting by the holders of more than 75% of the then outstanding Class B Units; and (C) the consent in writing or affirmative vote at a meeting by the holders of more than 75% of the then outstanding Class C Units.
- (k) Resignation or Removal of General Partner: The General Partner may resign on 120 days' written notice to the Limited Partners. One or more of the Limited Partners holding in the aggregate not less than 75% of the issued and outstanding Units then entitled to vote at a meeting of the Partnership, by a written resolution in one or more counterparts signed by such holders, shall be entitled to remove the General Partner and to substitute a new general partner therefor upon the happening of any of the following occurrences: (i) the making of an assignment for the benefit of creditors generally by the General Partner, or the dissolution of the General Partner; or (ii) substantial default of the General Partner under the provisions of the Partnership Agreement, which default remains unremedied for a period in excess of 120 days from the date of receipt of notice to remedy such default from any of the Limited Partners; provided, however, that in either case the right to remove a General Partner as the general partner of the Partnership shall be conditional upon the Limited Partners appointing concurrently with such removal, a new general partner to assume all the responsibilities and obligations of the General Partner under the terms of the Partnership Agreement and provided further that all amounts owing by the Partnership to the former General Partner have been paid in full. Such appointment shall require the consent of one or more Limited Partners holding an aggregate of not less than 75% of all of the issued and outstanding Units then entitled to vote at a meeting of the Partnership, by a written resolution in one or more counterparts signed by such holders.
- (l) Dissolution: Pursuant to the Partnership Agreement, the Partnership will be dissolved under any one of the following circumstances: (i) approval by all of (A) the written consent of the General Partner; (B) the written consent of or resolution passed by the holders of more than 50% of the then outstanding Class A Units; (C) the written consent of or resolution passed by the holders of more than 50% of the then outstanding Class B Units; and (D) the written consent of or resolution passed by the holders of more than 50% of the then outstanding Class C Units; or (ii) upon the written consent of all Limited Partners; or (iii) earlier upon the occurrence of any of the following events: (A) any event which makes it unlawful for the Partnership to continue to operate as a holding entity; (B) the bankruptcy, insolvency, liquidation, dissolution or winding up of the General Partner or the occurrence of any other event which would permit a trustee or receiver to administer the affairs of the General Partner, provided that such trustee or receiver has continued in office for a period of 120 consecutive days, unless a new general partner is

appointed within 60 days after the occurrence of such bankruptcy, insolvency, liquidation, dissolution, winding up or other event; or (C) the disposition of all the assets of the Partnership.

### *Shareholders' Agreement*

The Shareholders' Agreement was entered into on May 14, 2004 among the General Partner and its shareholders, as amended March 22, 2012. The Shareholders' Agreement sets out the manner in which the business and affairs of the General Partner are to be conducted, the manner in which the operations of the General Partner shall be financed and the respective rights and obligations of the shareholders of the General Partner.

Pursuant to the Shareholders' Agreement, the directors of the General Partner are authorized to, amongst other things: (i) adopt and implement an annual business plan; (ii) approve any financial statements; (iii) allot, reserve, redeem, and pay any dividends on, shares of the General Partner; and (iv) make such investments and incur liabilities and expenditures on behalf of the Partnership. Certain fundamental corporate changes require approval of the shareholders of the General Partner by ordinary resolution or special resolution, depending on the circumstances.

The board of directors of the General Partner is comprised of five (5) directors, three (3) of which may be nominated by the class A shareholders of the General Partner and two (2) of which may be nominated by the class B shareholders of the General Partner. ***Subscribers of Class D Units will not receive shares in the General Partner and will not be party to the Shareholders' Agreement; accordingly, Class D Unit holders will not have the right to nominate any directors of the General Partner.***

Other notable terms in the Shareholders' Agreement include: (a) a pre-emptive right on share issuances; (b) a right of first refusal in favour of shareholders in the event that any shareholder of the General Partner desires to sell the shares owned by it; (c) piggy-back rights in the event that a sale of shares would result in a change of control of the General Partner; (d) a carry-along requirement in the event shareholders holding at least 75% of the shares of the General Partner wish to accept a *bona fide* offer from an arm's length third party for all of the shares of the General Partner requiring all shareholders to tender their shares to such offer; (e) a shotgun requirement whereby any shareholder can make an offer to purchase all of the outstanding shares owned by the remaining shareholders, which the remaining shareholders can either accept or reject. If any of the remaining shareholders rejects the offer, such objecting shareholders can then, in turn, purchase the offering shareholder's shares on the same terms and conditions made by the offering shareholder; and (f) the Shareholders' Agreement may only be amended or terminated by (i) special resolution of the class A shareholders, (ii) special resolution of the class B shareholders, and (c) the written consent of the Company, with all three of items (a), (b) and (c) being required in order to make any such amendment or termination effective.

### *FrontFundr Agency Agreement*

The Partnership entered into an Agency Agreement dated March 13, 2017 with Silver Maple for the purpose of engaging Silver Maple as the Partnership's non-exclusive sales, marketing and administrative agent for the Offering (the "**FrontFundr Agency Agreement**"). Pursuant to the FrontFundr Agency Agreement, Silver Maple agreed to assist the Partnership in finding Canadian resident Subscribers for the Offering via the FrontFundr Platform, ensure that each Subscriber qualifies for the Offering under applicable securities regulations and provide such other information and documentation to the Partnership in connection with the Offering (the "**FrontFundr Services**"). In consideration for providing the FrontFundr Services, the Partnership will pay Silver Maple compensation as follows:

- (a) \$7,101 in connection with Silver Maple's due diligence review of the Partnership, and its directors and officers, and to work collectively to create a marketing campaign in Canada;
- (b) success fees for each Subscriber equal to (i) USD\$35 for each Canadian Subscriber redirected from the StartEngine Platform to the FrontFundr Platform under the Offering; and (ii) USD\$50 for any Subscriber coming direct to the FrontFundr Platform under the Offering;
- (c) agent's warrants equivalent to USD\$50 for each Subscriber coming direct to the FrontFundr Platform, with each agent's warrant to be exercisable at a price of CDN\$10 per Class D Unit for a term of ten (10) years; and
- (d) a corporate finance services fee for any additional general consulting services at an hourly rate of USD\$150 per hour plus applicable taxes.

The Partnership will also pay reasonable expenses incurred by Silver Maple in connection with the Offering. At the Partnership's sole discretion, the Partnership may also engage Silver Maple to provide additional general consulting services which will be charged separately.

#### *StartEngine Posting Agreement*

Pursuant to a Posting Agreement dated June 28, 2016, the Partnership engaged StartEngine to act as the Partnership's online StartEngine Platform in connection with the Offering (the "**StartEngine Posting Agreement**"). As set out in the StartEngine Posting Agreement, StartEngine agreed to provide the StartEngine Platform for the Partnership to post certain offering documents and to "test the waters" in connection with the Offering. In consideration for providing the StartEngine Platform, the Partnership will pay StartEngine an administration fee of USD\$70 per non-Canadian Subscriber that deposits funds into a designated escrow account. Additionally, StartEngine is also entitled to receive agent's warrants equivalent to USD\$100 for each non-Canadian Subscriber coming direct to StartEngine, with each agent's warrant exercisable at a price of \$10.00 per Class D Unit for a term of ten (10) years.

#### *Third Party Debt*

##### SIDIT Credit Agreement

Pursuant to the SIDIT Credit Agreement dated August 16, 2013, which was entered into among SIDIT, as lender, RMR, as borrower, and the Partnership, as covenantor, SIDIT agreed to provide RMR with a \$1,000,000 non-revolving term credit facility (the "**SIDIT Credit Facility**") for the purpose of constructing a ski chairlift on Grey Mountain. The entire \$1,000,000 available under the SIDIT Credit Facility has been advanced. The principal advanced under the SIDIT Credit Facility accrues interest at a rate of 8% per annum, calculated daily and compounded annually. RMR also paid an application fee to SIDIT in the amount of \$20,000. As of August 1, 2017, the balance of principal and interest owing is \$1,353,583.81.

At SIDIT's sole election, all or part of the principal amount owing under the SIDIT Credit Facility together with accrued interest may be converted into Class C Units of the Partnership at any time upon 15 days prior written notice to the Partnership at a conversion price of \$8.86 per Class C Unit.

All amounts owing under the SIDIT Credit Facility are to be repaid on April 18, 2019, however, RMR may without bonus or penalty prepay the outstanding principal under the SIDIT Credit Facility in whole or in part, provided that SIDIT has the right to exercise conversion of such prepayment into Class C Units

in lieu of the prepayment. As of the date of this Offering Memorandum, SIDIT has made a non-binding commitment to extend the maturity date of the SIDIT Credit Facility to April 18, 2024 and reduce the interest rate to 6%, subject to certain due diligence matters.

The amounts owing under the SIDIT Credit Agreement are subordinate to amounts owing to Community Futures Development Corporation of Greater Trail.

In connection with the SIDIT Credit Facility, RMR granted SIDIT the following security:

- (a) a convertible promissory note in the amount of \$1,000,000;
- (b) a collateral mortgage together with an assignment of rents securing the debt obligations of RMR to SIDIT over the following property (the “**Mortgaged Lands**”):

<b>PID</b>	<b>Legal Description</b>
014-031-876	District Lot 1295 Kootenay District
014-031-914	Parcel A (See 725541) Sublot 27 Township 28 Kootenay District Plan X60
014-031-892	Sublot 19 Township 28 Kootenay District Plan X60
014-646-510	District Lot 921 Kootenay District
014-646-561	District Lot 924 Kootenay District
016-168-852	Lot 1 Township 28 Kootenay District Plan 18912
014-646-595	District Lot 690 Kootenay District
011-958-057	Parcel A (See 212981) Sublot 24 Township 28 Kootenay District Plan X60 Except (1) Part lying West of a line parallel to and 10 chains distant from the Westerly boundary (2) Parts included in Plans 5102, R299, NEP 19698 and NEP 88960
026-522-152	Lot 4 Township 28 Kootenay District Plan NEP79845
026-522-161	Lot 5 Township 28 Kootenay District Plan NEP79845
026-522-195	Lot 8 Township 28 Kootenay District Plan NEP79845
026-522-225	Lot 11 Township 28 Kootenay District Plan NEP79845 except Plan NEP 91123
006-976-824	Lot 1 District Lots 967, 1045, 1057 and 1347 Township 28 Kootenay District Plan 14633 Except Plans NEP62387, NEP79845 and NEP 91123
012-040-134	Parcel A (See 212981) Sublot 28, Township 28 Kootenay District Plan X60 Except (1) Part lying South of a line parallel to and 5 chains distant from the Southerly boundary and West of a line parallel to and 20 chains distant from the Easterly boundary and (2) Plans 5201, 5552, 6874, NEP79845 and NEP 88960
028-280-253	Lot A Township 28 Kootenay District Plan NEP91123

- (c) a general security agreement granted by RMR over all of RMR's personal property, together with an "all present and after-acquired personal property" financing statement registered in the British Columbia Personal Property Registry;
- (d) an insurance certificate with respect to the Mortgaged Lands which evidences the insurance required by the SIDIT Credit Agreement and shows the collateral agent, if any, as loss payee pursuant to an IBC approved standard mortgage clause; and
- (e) an Assignment of Liability and Fire Insurance in favour of the collateral agent, if any, and SIDIT.

### Community Futures Development Corporation of Greater Trail Loans

Community Futures Development Corporation of Greater Trail (“**Community Futures**”) has provided three loans to RMR, totalling \$3,100,000. The first loan was made to RMR on August, September and October of 2010 in the principal amount of \$1,200,000, bearing interest at the prime rate plus 4%, maturing on July 1, 2024, and secured by one parcel of land legally described as Lot 4 Township 28 Kootenay District Plan NEP79845 (“**Lot 4**”), which consists of part of the parking lot at the base of RED Mountain. As of August 1, 2017, the balance of principal and interest owing is \$1,515,160.53. The purpose of the loan was for the expansion and renovation of the base lodge at RED Mountain, including the addition of a conference centre. The second loan was made to RMR on November 2013 in the principal amount of \$400,000, bearing interest at the prime rate plus 4%, maturing on February 28, 2022, and secured by Lot 4. As of August 1, 2017, the balance of principal and interest owing is \$439,611.42. The purpose of the loan was for the purchase and installation of the Grey Mountain chairlift in 2013. The third loan was made to RMR on August, September and October of 2014 in the principal amount of \$1,500,000, bearing interest at the prime rate plus 4%, maturing on April 15, 2023, and secured by Lot 4. As of August 1, 2017, the balance of principal and interest owing is \$1,585,577.75. The purpose of the loan was for the purchase of a snowmaking system on RED Mountain as part of the creation of the Legacy Race Training Centre.

### Western Economic Diversification Canada Loan

Western Economic Diversification Canada made an unsecured, interest-free loan to RMR on April 2011 in the principal amount of \$1,000,000, maturing on March 31, 2020. As of August 1, 2017, the balance of principal owing is \$626,771.00. The purpose of the loan was for the expansion and renovation of the base lodge at RED Mountain Resort, including the addition of a conference centre.

### Bank of Montreal Overdraft Line of Credit Facility

The Bank of Montreal (“**BMO**”) has provided an overdraft credit facility to RMR in the principal amount of \$450,000, bearing interest at prime plus 1.5%, and secured by Lot 8 Township 28 Kootenay District Plan NEP79845 (“**Lot 8**”), which is a vacant lot directly below the Morning Star development. When RMR’s operating bank account balance reaches zero, the BMO Line of Credit Agreement allows RMR to draw cheques or make withdrawals up to \$450,000. Interest is calculated and charged by BMO in any month when RMR makes use of this line of credit (or overdraft). The interest charged to the operating account is dependent upon the amount the account has gone into overdraft and the length of time the account is in an overdraft position. Repayments of principal are made at the discretion of RMR. As of August 1, 2017, the balance of principal and interest owing under this credit facility is zero. The credit facility is to be used for general working capital.

### *Related Party Debt*

In order to have the Paradise Lodge, high performance rental and Piste Off retail operations remodelled in time for the winter 2017-18 ski season, a short term loan in the amount of \$500,000 was made to RMR on approximately July 7, 2017 by Jeff Busby, a director of the General Partner. The loan is book-entry only, unsecured and bears interest at 6% per annum, compounded annually. See Item 3.4.

**ITEM 3**  
**DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS**

**Compensation and Securities Held**

3.1 The table below sets out information about each of the directors, officers and managers of the General Partner and promoters of the Partnership (collectively, the “**Specified Individuals**”) and each person who, directly or indirectly, beneficially owns or controls 10% or more of Partnership’s voting securities (“**Principal Holder(s)**”):

<u>Name and municipality of principal residence</u>	<u>Positions Held with General Partner and Date of Obtaining the Position</u>	<u>Compensation paid as of April 30, 2017 and anticipated to be paid as of April 30, 2018</u>	<u>Number, type and percentage of Units of the Partnership held after completion of Offering<sup>(1)</sup></u>
Howard I. Katkov Solana Beach, California	Director and Chief Executive Officer since October 3, 2003	USD\$430,000 in 2017 <sup>(2)</sup>	532,000 Class A Units <sup>(3)</sup> (37.37% of Class A Units) 1,750 Class B Units <sup>(3)</sup> (less than 1% of Class B Units)
	Holder of greater than 10% of the Class A Units of the Partnership	USD\$430,000 anticipated in 2018	1,000 Class D Units, Series CDN\$ <sup>(1)</sup>
Donald J. Thompson Rossland, British Columbia	Director and Corporate Secretary since October 3, 2003, President since May 1, 2015	\$158,000 in 2017 \$166,000 anticipated in 2018 <sup>(4)</sup>	266,000 Class A Units <sup>(5)</sup> (18.68% of Class A Units) 1,000 Class D Units, Series CDN\$ <sup>(1)</sup>
	Holder of greater than 10% of the Class A Units of the Partnership		
Kevin Magnall Rossland, British Columbia	Chief Financial Officer since June 1, 2017 <sup>(6)</sup>	\$85,000 in 2017	7,000 Class A Units (less than 1% of Class A Units)
	Director since March 7, 2017	\$90,000 anticipated in 2018 <sup>(6)</sup>	1,000 Class D Units, Series CDN\$ <sup>(1)</sup>
	Controller of since November 22, 1999 <sup>(6)</sup>		
Jeff Busby Solana Beach, California	Director since June 2, 2004	Nil	1,383,787 Class B Units <sup>(7)</sup> (81.72% of Class B Units) 2,413,696 Class C Units <sup>(8)</sup> (90.25% of Class C Units)
	Holder of greater than 10% of the Class B Units of the Partnership		2,413,696 Class C2Units <sup>(8)</sup> (90.25% of Class C2 Units)
Joshua J. Fox Saddle River, New Jersey	Director since January 13, 2016	Nil	Nil

<u>Name and municipality of principal residence</u>	<u>Positions Held with General Partner and Date of Obtaining the Position</u>	<u>Compensation paid as of April 30, 2017 and anticipated to be paid as of April 30, 2018</u>	<u>Number, type and percentage of Units of the Partnership held after completion of Offering<sup>(1)</sup></u>
390594 Alberta Limited <sup>(9)</sup> Rossland, British Columbia	Holder of greater than 10% of the Class A Units of the Partnership	Nil	266,000 Class A Units (18.68% of Class A Units) and 1,750 Class B Units (less than 1% of Class B Units)

- (1) Each of Howard Katkov, Donald Thompson and Kevin Magnall will receive 1,000 Class D Units, Series CDN\$ (and associated tiered rewards) as bonuses upon completion of the Offering. The number of Class D Units that the Principal Holders who are not owned or controlled by Specified Individuals will acquire under the Offering is not known. The percentage of Class D Units that the Specified Individuals and Principal Holders will acquire under the Offering is not known.
- (2) Effective Spring 2015, Mr. Katkov assumed the responsibilities of two management individuals (VP, Sales and VP, Marketing) who ceased to be employed by the General Partner and were earning at that time estimated aggregate collective compensation of \$375,000 per year. The amount anticipated in 2018 for Mr. Katkov does not reflect any bonuses that may also be paid. Effective May 1, 2017, Mr. Katkov signed an extension of his employment agreement to run until April 30, 2022 at a salary of USD\$430,000 until April 30, 2018 and then a salary of USD\$350,000 per annum thereafter. Mr. Katkov will receive 1,000 Class D Units as a bonus (including associated tiered rewards, with the exception of lift tickets and passes) upon completion of the Offering.
- (3) Owned by Red Mountain Ventures Inc. Howard Katkov, a director and officer of the General Partner, and his wife Tracy are trustees of Katkov Children's Qualified Subchapter S (\*QSST) Trust (the "**Katkov Trust**"), which owns 100% of the voting shares of Red Mountain Ventures Inc. The beneficiaries of the Katkov Trust are the four children of Howard and Tracy Katkov.
- (4) The amount anticipated in 2018 does not reflect any bonuses that may also be paid. Effective May 1, 2017, Mr. Thompson signed an extension of his employment agreement to run until April 30, 2022 at a salary of \$166,000 per annum. Mr. Thompson will receive 1,000 Class D Units as a bonus (including associated tiered rewards, with the exception of lift tickets and passes) upon completion of the Offering.
- (5) Owned by Blacklock Holdings Inc. Donald Thompson, a director and officer of the General Partner, owns directly or indirectly 50% of the voting shares of Blacklock Holdings Inc. Patricia Marshall Thompson owns the remaining 50% of the voting shares of Blacklock.
- (6) The amount anticipated in 2018 does not reflect any bonuses that may also be paid. Effective May 1, 2017, Mr. Magnall signed an extension of his employment agreement to run until April 30, 2022 at a salary of \$85,000 until April 30, 2018 and then a salary of \$90,000 per annum thereafter. Mr. Magnall will receive 1,000 Class D Units as a bonus (including associated tiered rewards, with the exception of lift tickets and passes) upon completion of the Offering. Mr. Magnall is employed by Red Resort G.P. Ltd. as controller and the General Partner as Chief Financial Officer.
- (7) Owned by Value Powder Corporation. Jeff Busby, a director of the General Partner, is the trustee of the Juice Trust which owns directly or indirectly 63.1% of the voting shares of Value Powder Corporation. The sole beneficiary of Juice Trust is the Busby Children's Trust, all of the beneficiaries of which are the children of Jeff Busby.
- (8) Owned by the Juice Trust. Jeff Busby, a director of the General Partner, is the trustee of the Juice Trust. The sole beneficiary of Juice Trust is the Busby Children's Trust, all of the beneficiaries of which are the children of Jeff Busby.
- (9) Jim Greene beneficially owns or controls, directly or indirectly, 52% of the voting shares of 390594 Alberta Limited.

## Management Experience

3.2 The directors and executive officers of the General Partner have a broad background of ski resort operation and real estate development experience brought to bear on the activities undertaken by the General Partner on behalf of the Partnership. The following table discloses the principal occupations of directors and executive officers of the General Partner for the past five years.

<b>Name</b>	<b>Principal Occupation and Related Experience</b>
<b>Howard I. Katkov</b>	<p>Chief Executive Officer and Director of the General Partner since October 3, 2003; President of the General Partner from October 3, 2003 until May 1, 2015.</p> <p>Mr. Katkov, businessman and previously an attorney and real estate developer, has developed, constructed and sold approximately 2,500 single and multi-family residential units valued at over \$400 million. He is an entrepreneur at heart who has founded and sold several companies, including Sassaby-Jane Cosmetics which was acquired by The Estée Lauder Companies for approximately \$65 million. Mr. Katkov currently oversees the operations of the RED Ski Resort and real estate development activities.</p>
<b>Donald J. Thompson</b>	<p>Director and Corporate Secretary of the General Partner since October 3, 2003; President of the General Partner since May 1, 2015; Vice President, Resort Planning and Development from September 19, 2005 until May 1, 2015.</p> <p>Don Thompson has been instrumental in managing over \$50 million of development projects at the base of RED Mountain. Before joining RED, Don led development planning teams with The Aspen Skiing Company at Snowmass, Colorado, Vail Resorts at Keystone Resort, Colorado, and Intrawest at Copper Mountain Resort, Colorado. Don has over 25 years of resort planning development and operations experience.</p>
<b>Joshua J. Fox</b>	<p>Managing Director, Head of Real Estate, Lodging and Leisure at Stout Risious Ross in New York, NY from May 2015 to present.</p> <p>Joshua Fox, director of the General Partner since January 13, 2016, is primarily employed as Managing Director, Head of Real Estate, Lodging and Leisure at Stout Risious Ross. Prior to his present position, Mr. Fox was co-founder of Underwood, Fox &amp; McClintock (2012 – 2015) and prior to that, was the Director, Investment Banking – Real Estate, Lodging, Leisure and Homebuilding Group for Houlihan Lokey from 2004 - 2012. Mr. Fox has a unique expertise in the ski resort industry where he managed the refinancing of more than \$1 Billion of debt for Intrawest, as well as managing the sale of Copper Mountain Ski Resort, Camelback Mountain Resort, Mountain High, and the recent refinancing of Big Sky Resort. Mr. Fox received his BBA from University of Michigan School of Business and a Juris Doctorate from Columbia University School of Law.</p>
<b>Jeff Busby, CFA</b>	<p>Executive Director at Brandes Investment Partners, L.P. from 2008 to present</p> <p>Jeff Busby, CFA and director of the General Partner since June 2, 2004, serves as Executive Director and is a member of the Executive Committee at Brandes Investment Partners, L.P. As an Executive Committee member, he contributes to strategic decisions and guides the firm toward its vision and objectives. He also contributes to the investment process as a member of the Investment Oversight Committee. Mr. Busby received his BS in chemical engineering from Northwestern University and his MBA in finance from the University of California, Berkeley. He is a member of the CFA Society of San Diego and has 25 years of investment experience.</p>

<b>Name</b>	<b>Principal Occupation and Related Experience</b>
-------------	--

<b>Kevin Magnall, BBA</b>	Director of the General Partner since March 7, 2017; Chief Financial Officer since June 1, 2017; Controller since November 22, 1999
---------------------------	---

Kevin Magnall, BBA, is a graduate of the Simon Fraser University Cooperative Program in Accounting and qualified as a Chartered Accountant in 1988. He has 25 years of experience in the ski industry. Before coming to RED, Kevin held the positions of Ski Patrol Director, Assistant General Manager, and Finance and Administration Manager at other British Columbia ski resorts. At RED, Kevin's responsibilities include all aspects of financial management, analysis and reporting; budgeting; taxation; human resources; insurance and risk management for RED.

### **Penalties, Sanctions and Bankruptcy**

3.3 There are no penalties, sanctions, declarations of bankruptcy, voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation or proceedings, arrangements or compromises with creditors, appointments of a receiver, receiver manager or trustee to hold assets, that have been in effect during the last ten years, or any cease trade orders that have been in effect for a period of more than 30 consecutive days during the past ten years, against or with regard to any of the directors, executive officers or control persons of the General Partner or any issuer of which any director, executive officer or control person of the General Partner was a director, executive officer or control person.

### **Loans**

3.4 In order to have the Paradise Lodge, high performance rental and Piste Off retail operations remodelled in time for the winter 2017-18 ski season, a short term loan in the amount of \$500,000 was made to RMR on approximately July 7, 2017 by Jeff Busby, a director of the General Partner. The loan is book-entry only, unsecured and bears interest at 6% per annum, compounded annually. There is no fixed maturity date – if funds from the Offering are not sufficient to repay this short term loan, it is anticipated that this loan will be extended into a long term loan. Other than the foregoing, there are no loans due to or from the directors, management, promoters and principal holders of the General Partner in respect of both the General Partner and the Partnership.

## **ITEM 4 CAPITAL STRUCTURE**

### **Capital**

4.1 The following table sets forth the capital structure of the Partnership as of August 12, 2017:

<b>Description of Security</b>	<b>Number Authorized to be Issued</b>	<b>Price per Security</b>	<b>Number Outstanding as of August 12, 2017</b>	<b>Number Outstanding after Completion of the Offering</b>
Class A Units	Unlimited	\$0.001	1,423,608	1,423,608
Class B Units	Unlimited	\$10.00	1,693,250	1,693,250

Description of Security	Number Authorized to be Issued	Price per Security	Number Outstanding as of August 12, 2017	Number Outstanding after Completion of the Offering
Class C Units	Unlimited	\$8.86 <sup>(1)</sup>	2,674,359	2,674,359
Class C2 Units	Unlimited	N/A <sup>(1)</sup>	2,674,359	2,674,359
Class D Units	Unlimited	\$10.00	Nil	1,007,800 <sup>(2)</sup>
General Partner Unit	1	\$10.00	1	1

- (1) On June 30, 2017, the Juice Trust and the Woods Trust, lenders to RMR, converted \$23,694,824 in principal of loans owing by RMR to them under the Juice Trust Credit Agreement into Class C Units in the Partnership. The Juice Trust and Woods Trust agreed to convert their loans on a principal only basis and to waive all accrued interest owing by RMR under the Juice Trust Credit Agreement. In exchange for doing so, the lenders received a profits participation interest represented by Class C2 Units. Jeff Busby, a director of the General Partner and a related party, is the trustee of the Juice Trust. The sole beneficiary of Juice Trust is the Busby Children's Trust, all of the beneficiaries of which are the children of Jeff Busby.
- (2) Including 1,000,000 Class D Units to be issued to third party Subscribers under the Offering assuming the maximum Offering of \$10,000,000, 1,000 Class D Units to be issued to a ski publication for marketing services and 6,800 Class D Units to be issued to management and employees of RED. See Item 4.4.

The following table sets forth the capital structure of the General Partner as of August 12, 2017:

Description of Security	Number Authorized to be Issued	Price per Security	Number Outstanding as of August 12, 2017	Number Outstanding after Completion of the Offering
Class A Common Voting Shares	100,000,000	\$0.001	1,395,697	1,395,697
Class B Common Voting Shares	100,000,000	\$0.001	1,700,000	1,700,000

### Long Term Debt Securities

4.2 The table below sets forth the outstanding long term debt of the Partnership. See Item 2.7 – “Material Agreements – Third Party Debt.”

Description of Long Term Debt (Including whether secured)	Interest Rate (per annum, compounded annually)	Repayment Terms	Principal and Interest Outstanding as of August 1, 2017
Secured loan in the amount of \$1,000,000 provided to RMR by SIDIT pursuant to the SIDIT Credit Agreement. Secured by the Mortgaged Lands	8%	The principal balance together with all accrued and unpaid interest is due and payable on April 18, 2019. In the event that RMR prepays the outstanding balance prior to the due date, at SIDIT's sole election, SIDIT may accept the prepayment or elect to convert the prepayment to Class C Units of the Partnership at a conversion price of CDN\$8.86 per Class C Unit	C\$1,353,583.81

Description of Long Term Debt (Including whether secured)	Interest Rate (per annum, compounded annually)	Repayment Terms	Principal and Interest Outstanding as of August 1, 2017
Unsecured loan in the amount of \$1,000,000 provided to RMR by Western Economic Diversification in April, 2011	0%	RMR is required to make principal payments of \$4,000 per month until March 31, 2020, and in addition, to make periodic lump sum payments as follows: \$186,000 on March 31, 2018; \$186,000 on March 31, 2019; and \$126,771 on March 31, 2020	\$626,771.00
Secured Loan in the amount of \$1,200,000 provided to RMR by Community Futures Development Corporation for Day Lodge Renovations. Secured by Lot 4	Prime Rate plus 4% (6.95% as of August 1, 2017)	RMR is required to make a principal payment of \$10,000 on August 15, 2017 followed by 11 monthly blended principal and interest payments of \$10,000, followed by 12 monthly payments of \$14,000, followed by 60 monthly payments of \$27,938.75, with the final payment being made on July 1, 2024	\$1,515,160.53
Secured Loan in the amount of \$400,000 provided to RMR by Community Futures Development Corporation for Grey Mountain Expansion. Secured by Lot 4	Prime Rate plus 4% (6.95% as of August 1, 2017)	RMR is required to make blended principal and interest payments of \$4000 per month until February 1, 2019, followed by 36 monthly payments of \$6,000, and in addition, to made lump sum payments of \$100,000 on February 29, 2020, \$100,000 on February 28, 2021, and \$42,989.72 on February 28, 2022	\$439,611.42
Secured Loan in the amount of \$1,500,000 provided to RMR by Community Futures Development Corporation for Snowmaking Equipment. Secured by Lot 4	Prime Rate plus 4% (6.95% as of August 1, 2017)	RMR is required to make blended principal and interest payments of \$40,000 per month from November 15, 2017 to April 15, 2018, followed by 53 monthly payments of \$12,000 commencing November 15, 2018 and ending March 15, 2023, and in addition, to make lump sum payments of \$300,000 on November 15, 2018, \$400,000 on November 15, 2020, and \$364,532.91 on April 15, 2023	\$1,585,577.75
Bank of Montreal secured overdraft line of credit facility provided to RMR in the principal amount of \$450,000. Secured by Lot 8	Prime rate plus 1.5% (4.45% as of August 1, 2017)	Interest is calculated and charged in any month when RMR makes use of this line of credit (or overdraft). The interest charged to the operating account is dependent upon the amount the account has gone into overdraft and the length of time the account is in an overdraft position. Repayments of principal are made at the discretion of RMR	0

## Prior Sales

4.4 As of the date hereof, no Class D Units have been issued. The following commitments have been made to issue Class D Units:

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
January 23, 2017	Agreement to Issue Class D Units, Series CDN\$	1,000	\$10 <sup>(1)</sup>	Paid for in Services <sup>(1)</sup>
May 2017	Agreement to Issue Class D Units, Series CDN\$	1,800	\$10 <sup>(2)</sup>	To be determined <sup>(2)</sup>
June 28, 2017	Agreement to Issue Class D Units, Series CDN\$	5,000	\$10 <sup>(3)</sup>	Paid for in Services <sup>(3)</sup>

(1) A commitment has been made to issue 1,000 Class D Units, Series CDN\$ under the \$10,000 tiered reward level to an industry publication or its designee in exchange for advertising services having an estimated value of \$10,000.

(2) Eighteen senior food and beverage, lift operations and maintenance employees have been offered a bonus for the strong results of RED's 2016/17 ski season consisting of a \$1300 bonus provided that \$1,000 of the bonus is used to acquire Class D Units at the \$1,000 tiered reward level, adjusted to provide such employees access to the new clubhouse and a custom ski or snowboard.

(3) Bonuses have been allocated to five senior management upon completion of the Offering (including Howard Katkov, Donald Thompson and Kevin Magnall) consisting of 1,000 Class D Units, Series CDN\$ with the associated \$10,000 level tiered rewards, with the exception of lift tickets and passes.

## ITEM 5 SECURITIES OFFERED

### Terms of Securities

5.1 The Class D Units have the following attributes:

- (a) Class D Units are denominated in a Canadian dollar series (Series CDN\$) and a United States dollar series (Series USD\$);
- (b) the Class D Units are non-voting;
- (c) all Class D Units are issued as fully paid and non-assessable;
- (d) each Class D Unit ranks in priority to Class A, B C and C2 Units with respect to the return of capital or other payments;
- (e) each Class D Unit will participate in Residual Distributions as set out in the Partnership Agreement – see Item 2.7 “Material Agreements – Partnership Agreement – Distributions”; and
- (f) each Class D Unit has a right of first refusal on future issuances of any units ranking in priority to Class D Units, which rights must be exercised within seven (7) days of notice.

## Subscription Procedure

5.2 The Partnership is offering a minimum of 150,000 and a maximum of 1,000,000 Class D Units for sale. The Subscription Price of the Class D Units of the Partnership is CDN\$10.00 per Class D Unit, Series CDN\$ and USD\$10.00 per Class D Unit, Series USD\$. The minimum number of Class D Units that may be purchased by a Subscriber is 100 Class D Units for a minimum initial investment of CDN\$1,000 per Subscriber of Class D Units, Series CDN\$ and USD\$1,000 per Subscriber of Class D Units, Series USD\$, and thereafter, additional Class D Units may be purchased in any increments. No subscriptions for a fraction of a Class D Unit will be recognized.

Class D Units are being offered on a continuous basis to Subscribers resident in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia pursuant to exemptions from the prospectus requirements contained in the securities legislation rules and regulations applicable in those jurisdictions. The Partnership will, in its sole discretion, set minimum aggregate subscription amounts to be raised in each province and will not accept subscriptions from residents of each province until those minimums have been achieved. The Partnership intends, assuming qualification of the Offering by the U.S. Securities and Exchange Commission (the “SEC”) to offer the Class D Units in the United States pursuant to Regulation A of the Securities Exchange Act of 1933. No money or other consideration is being solicited at this time from investors resident in the United States, and if sent will not be accepted. No offer to buy securities of RED can be accepted from investors in the United States and no part of the purchase price can be received from them until RED’s United States offering statement is qualified with the SEC. Subscribers wishing to subscribe for Class D Units will be required to enter into a Subscription Agreement with the Partnership which will contain, among other things, representations, warranties and covenants by the Subscriber that it is duly authorized to purchase the Class D Units, that it is purchasing the Class D Units as principal and for investment and not with a view to resale and as to its corporate or other status to purchase the Class D Units and that the Partnership is relying on an exemption from the requirements to provide the Subscriber with a prospectus and, as a consequence of acquiring the securities pursuant to this exemption, certain protections, rights and remedies, provided by applicable securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber.

The subscription process for Canadian Subscribers will be conducted through the FrontFundr Platform at [www.frontfundr.com](http://www.frontfundr.com). The subscription process for non-Canadian Subscribers (including U.S. Subscribers) will be conducted through the StartEngine Platform at [www.startengine.com](http://www.startengine.com). Any Canadian investors expressing an interest in the Offering on the StartEngine Platform will be redirected to the FrontFundr Platform to complete the subscription process. Any non-Canadian investors expressing an interest in the Offering on the FrontFundr Platform will be redirect to the StartEngine Platform to complete the subscription process.

In order to subscribe for Class D Units, the Subscriber must complete and execute:

- (a) one (1) Subscription Agreement specifying the aggregate dollar amount of the subscription;
- (b) if the Subscriber is resident in British Columbia, a Risk Acknowledgement Form (Form 45-106F4) attached as Schedule 1 to the Subscription Agreement (“**Risk Acknowledgement Form**”);
- (c) if the Subscriber is resident in Alberta, New Brunswick, Nova Scotia, Ontario, Quebec or Saskatchewan:
  - (i) a Risk Acknowledgement Form; and

- (ii) if the acquisition cost of all Class D Units acquired by the Subscriber at the time of subscription and in the preceding twelve (12) months, collectively, exceeds \$10,000, a completed Schedule 2 and 3 to the Subscription Agreement;
- (d) if the Subscriber is resident in Manitoba:
  - (i) a Risk Acknowledgement Form; and
  - (ii) if the acquisition cost of all Class D Units acquired by the Subscriber at the time of subscription and in the preceding twelve (12) months, collectively, exceeds \$10,000, a completed Schedule 2 to the Subscription Agreement;
- (e) if the Subscriber is not a resident of Canada:
  - (i) a Risk Acknowledgement Form; and
  - (ii) a supplementary subscription document, the form of which will vary depending on jurisdiction. Residents of the United States will be provided with a U.S. subscription document through the StartEngine Platform; and
- (f) any other forms, declarations and documents as may be required by the General Partner to complete the subscription.

Canadian Residents. For Canadian resident Subscribers, all subscription documents will be available through the FrontFundr Platform and will be submitted through the FrontFundr Platform. The aggregate Subscription Price for the Class D Units subscribed for in the Subscription Agreement will be submitted by the Subscriber through the FrontFundr Platform by way of echeque or other electronic payment mechanism, as set out on the FrontFundr Platform. Payments delivered to FrontFundr will be held in trust pending issuance of Class D Units for a minimum of two days. Subscribers will be notified by FrontFundr upon Closing of the Subscriber's subscription.

Residents in the United States and other non-Canadian jurisdictions. For non-Canadian resident Subscribers (including Subscribers in the United States), all subscription documents will be available through the StartEngine Platform and will be submitted through the StartEngine Platform. The aggregate Subscription Price for the Class D Units subscribed for in the Subscription Agreement will be submitted by the Subscriber through the StartEngine Platform by way of echeque or other electronic payment mechanism, as set out on the StartEngine Platform. Payments delivered through the StartEngine Platform will be held in trust by an escrow agent pending issuance of Class D Units for a minimum of two days. Subscribers will be notified by StartEngine upon Closing of the Subscriber's subscription.

The General Partner, on behalf of the Partnership, reserves the right to accept or reject subscriptions in whole. Subscription proceeds will be held in trust pending Closing, on behalf of the Partnership, and will be subject to the two-day right of cancellation. Subject to applicable securities laws and the Subscriber's two-day cancellation right, a subscription for Class D Units, evidenced by a duly completed Subscription Agreement delivered to the Partnership shall be irrevocable by the Subscriber. See Item 11 – "Purchasers' Rights". Subscriptions for Class D Units will be received, subject to rejection and allotment, in whole or in part, and subject to the right of the Partnership to close the subscription books at any time, without notice. For greater certainty, the Partnership can close the subscription books and terminate the Offering in its sole discretion, even if no Closing has taken place. If a subscription for Class D Units is not accepted, all subscription proceeds will be returned to the Subscriber without interest. At a Closing of the Offering, the Partnership will deliver to each Subscriber confirmation of the issuance of a fully paid and non-assessable Class D Units, provided the aggregate Subscription Price has been paid in full. Any

investment amount exceeding \$10,000.00 may require additional documentation to support purchaser eligibility. No Class D Unit certificates will be issued. The Partnership expects that Closings of subscriptions under the Offering will take place in stages on a rolling basis.

The Offering is being conducted in reliance on exemptions from the prospectus requirements of applicable securities laws as set out in NI 45-106. These exemptions relieve the Partnership from the provisions of the applicable securities laws, rules and regulations of the applicable provinces of Canada to file and obtain a receipt for a prospectus in connection with the Offering. Accordingly, prospective Subscribers for Class D Units will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including review of the merits of the securities by a securities regulatory authority in Canada.

If the minimum Offering is not met by March 31, 2018, subscription funds will be returned to investors without interest.

### **Tiered Rewards**

In connection with the Offering, the Partnership will be providing tiered rewards to Subscribers based on the minimum level of investment for each tiered reward (Subscription Price and rewards level references below are to be read in Canadian dollars for investors in Class D Units, Series CDN\$ and are to be read in United States dollars for investors in Class D Units, Series USD\$):

- (a) Tier 1: 100 Class D Units at an aggregate Subscription Price of \$1,000 - the Subscriber will receive membership to the new clubhouse on Grey or Granite Mountain and five (5) transferable Adult lift tickets valid for five (5) years;
- (b) Tier 2: 350 Class D Units at an aggregate Subscription Price of \$3,500 - the Subscriber will receive membership to the new clubhouse on Grey or Granite Mountain, one (1) limited edition custom designed skis or snowboard and ten (10) transferable Adult lift tickets valid for five (5) years;
- (c) Tier 3: 500 Class D Units at an aggregate Subscription Price of \$5,000 - the Subscriber will receive membership to the new clubhouse on Grey or Granite Mountain, one (1) limited edition custom designed skis or snowboard, ten (10) transferable Adult lift tickets valid for five (5) years and 1 Adult Season Pass for one (1) year;
- (d) Tier 4: 750 Class D Units at an aggregate subscription price of \$7,500 - the Subscriber will receive membership to the new clubhouse on Grey or Granite Mountain, one (1) limited edition custom designed skis or snowboard, ten (10) transferable Adult lift tickets valid for five (5) years and either one (1) Family Season Pass or two (2) Adult Season Passes for one (1) year;
- (e) Tier 5: 1,000 Class D Units at an aggregate Subscription Price of \$10,000 - the Subscriber will receive membership to the new clubhouse on Grey or Granite Mountain, two (2) limited edition custom designed skis or snowboards, ten (10) transferable Adult lift tickets valid for five (5) years, either one (1) Family Season Pass or two (2) Adult Season Passes for one (1) year and "RedHead" membership access to reservations for up to six (6) on-mountain cabins for overnight stays; and
- (f) Tier 6: at least 2,500 Class D Units for an aggregate Subscription Price of \$25,000 or more - the Subscriber will receive membership to the new clubhouse on Grey or Granite Mountain, two (2) limited edition custom designed skis or snowboards, ten (10)

transferable Adult lift tickets valid for five (5) years, either one (1) Family Season Pass valid for five (5) years or two (2) Adult Season Passes valid for seven (7) years and RedHead membership access to reservations for up to six (6) on-mountain cabins for overnight stays;

The tiered rewards will be available at different times. All lift tickets and passes will be available prior to the opening of the RED Ski Resort for the 2017-18 ski season, or completion of the Subscriber investment, whichever is later.

The skis and snowboards will be available for 2018-19 ski season. The Partnership has selected two companies, Lib Tech and Blizzard to produce the tiered reward skis and snowboards, which will be done during their normal production cycle in the Spring of 2018. The Partnership will arrange both ski and snowboard bindings for purchase at a special Subscriber price. Bindings will not be sold individually, and must be packaged along with the ski or snowboard. Subscribers do not have to purchase bindings through RED; the purchase of bindings is completely optional. Further details on ski/snowboard size and binding options will be posted and updated on the FrontFundr and StartEngine portals.

It is anticipated that the cabins and clubhouse will be constructed in the summer of 2018 and available for use in the 2018-19 ski season. The clubhouse will be a small cozy space for members and guests of members only on Grey or Granite Mountain. The clubhouse will be located on mountain in general proximity to the overnight cabins. It will include a fireplace and a few different social gathering areas and will have a cash bar and select daily menu food service. All members will be issued a membership card and will be allowed to sign in guests (based on space availability). The clubhouse will be open every day during lift operation hours during the winter season.

Subscribers who invest \$10,000 or more (Tier 5 or 6) will become RedHead members and will be given priority access and pricing to overnight on-mountain cabins based upon a reservation system to be finalized at a later date. Nightly fees for members are anticipated to initially be approximately \$100/night per cabin (housekeeping fee). The cabins are anticipated to be open during the winter ski season, weather dependant. After the RedHead club member priority period has closed the cabins will be open to public reservations if space is available. Minimum stay will be one night. Maximum stay is yet to be determined based on reservations. Reservations will be required to be secured with a credit card and full payment will be required prior to check in. For large groups requiring more than one cabin a 20% non-refundable deposit will be required at the time of booking. Balance will be required 60 days prior to check in.

Regular membership to the clubhouse and RedHead membership to the overnight on-mountain cabins will be transferrable by the holders thereof but may not be divided amongst two or more individuals. These memberships will not be attached to the Class D Units and are being provided as special incentive under this Offering. Subscribers wishing to transfer their Class D Units (in accordance with applicable securities laws, including restrictions on resale set out elsewhere in this Offering Memorandum), may choose to transfer their membership to the subsequent purchaser of Class D Units, or not.

## **ITEM 6 INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY**

### **Income Tax Consequences**

**6.1 You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.** Subscribers should generally be aware of the tax considerations and consequences associated with an investment in a limited partnership. The income and other tax

consequences of acquiring, holding or disposing of Class D Units will vary depending on a Subscriber's specific circumstances.

### **RRSP Eligibility**

6.2 The Partnership does not believe that the Class D Units are “qualified investments” under the Tax Act for deferred income plans such as registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), registered education savings plans (RESPs) or tax-free savings accounts (TFSAs). You should consult your own professional advisors to obtain specific advice on the RRSP, RRIF, RESP, TFSA or other deferred income plan eligibility of these securities.

## **ITEM 7 COMPENSATION PAID TO SELLERS AND FINDERS**

### **FrontFundr Agency Fee**

7.1 In connection with the Offering, the Partnership has engaged Silver Maple to act as the Partnership's non-exclusive sales, marketing and administrative agent for the Offering. See Item 2.7 – “Material Agreements – FrontFundr Agency Agreement”. In consideration for providing the FrontFundr Services, including assisting the Partnership in finding Canadian resident Subscribers for the Offering via the FrontFundr Platform and ensuring that each Subscriber qualifies for the Offering under applicable securities regulations, the Partnership has agreed to pay Silver Maple compensation as follows:

- (a) success fees for each Subscriber equal to (i) USD\$35 for each Canadian Subscriber redirected from the StartEngine Platform to the FrontFundr Platform under the Offering; and (ii) USD\$50 for any Subscriber coming direct to the FrontFundr Platform under the Offering;
- (b) \$7,101 in connection with Silver Maple's due diligence review of the Partnership, and its directors and officers, and to work collectively to create a marketing campaign in Canada;
- (c) agent's warrants equivalent to USD\$50 for each Subscriber coming direct to the FrontFundr Platform, with each agent's warrant to be exercisable at a price of CDN\$10 per Class D Unit for a term of ten (10) years; and
- (d) a corporate finance services fee for any additional general consulting services at an hourly rate of USD\$150 per hour plus applicable taxes.

The estimated aggregate Silver Maple commission pursuant to paragraph (a) above is \$54,330 under the maximum Offering (0.54% of gross proceeds) and \$8,150 (0.54% of gross proceeds) under the minimum Offering, based on estimates of numbers of investors from preliminary crowdfunding response data.

### **StartEngine Agency Fee**

7.2 In connection with the Offering, the Partnership has also engaged StartEngine to act as the Partnership's online StartEngine Platform. See Item 2.7 – “Material Agreements – StartEngine Posting Agreement”. In consideration for providing the StartEngine Platform, the Partnership has agreed to pay compensation to StartEngine as follows:

- (a) a fee of USD\$70 per non-Canadian Subscriber that subscribes through the StartEngine Platform; and
- (b) agent's warrants equivalent to USD\$100 for each non-Canadian Subscriber coming direct to StartEngine, with each agent's warrant exercisable at a price of \$10.00 per Class D Unit for a term of ten (10) years.

The estimated aggregate StartEngine commission pursuant to paragraph (a) above is \$100,082 under the maximum Offering (1.0% of gross proceeds) and \$15,012 (1.0% of gross proceeds) under the minimum Offering, based on estimates of numbers of investors from preliminary crowdfunding response data.

## **ITEM 8 RISK FACTORS**

**An investment in the Partnership involves significant risks. In addition to the other information in this Offering Memorandum, the following risk factors should be given special consideration when evaluating an investment in the Class D Units.**

### **General**

Investing in the Partnership is only suitable for investors who understand and are capable of bearing the risks of their investment. There is a risk that an investment in the Partnership could be lost entirely or in part. There is no assurance that the Partnership will achieve its fundamental investment objectives, nor is past performance any indication of future performance. There is no guarantee that an investment in the Class D Units of the Partnership will earn a positive return.

You should consider and read carefully all of the risks and uncertainties described below, together with all of the other information contained in this Offering Memorandum. If any of the following risks actually occur, the Partnership and its performance could be materially adversely affected and the performance, financial condition, results of operations or cash flows of the Partnership or the General Partner or either of them could be materially adversely affected. In any such case, the value of the Class D Units could decline, and you could lose all or part of your investment. The risks below are not the only ones which the Partnership faces. Additional risks not currently known to the Partnership or the General Partner or that the General Partner or the Partnership currently deem immaterial may also have adverse effects. This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. The actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks described below. See "Forward Looking Statements".

### ***Risks Related to the Partnership and Industry***

#### ***Unfavourable Weather Conditions***

RED's ability to attract visitors to its resort is influenced by weather conditions and the amount of snowfall during the ski season. In particular, the early season snow conditions and skier perceptions of early season snow conditions can influence the momentum and success of the overall season, including pre-season sales of season passes and frequency cards. Unfavourable weather conditions can adversely affect RED's operations as vacationers tend to delay or postpone vacations if conditions differ from those that typically prevail for a given season.

In addition, unseasonably warm weather may result in inadequate natural snowfall, which increases the cost of snowmaking, and could render snowmaking wholly or partially ineffective in maintaining quality skiing conditions. Excessive natural snowfall may materially increase the costs incurred for grooming trails and may also make it difficult for visitors to obtain access to RED Mountain.

In recent years, certain scientific communities have become concerned that global warming is occurring, although translating that general conclusion into predictions of specific regional and local climatic impacts is very difficult. A milder local climate at RED Mountain could give rise to shorter winter seasons. The effect of that kind of climate change would have an impact on RED and its prospects and the financial condition, results of operations and cash flows of the Partnership which the General Partner is unable to quantify, but which could be material.

Prolonged periods of adverse weather conditions, or the occurrence of such conditions during peak visitation periods, could have a material adverse effect on RED and its performance and the financial condition, results of operations and cash flows of the Partnership.

#### *Economic Downturn*

Skiing and vacation travel are discretionary recreational activities with relatively high participation costs. A prolonged period of economic downturn could reduce consumer spending on recreational activities, result in declines in visits and revenue and could have a material adverse effect on RED and its performance and the financial condition, results of operations and cash flows of the Partnership.

#### *Seasonality of Operations*

Resort operations are highly seasonal. Although the timing and the amount of snowfall can influence the number and type of skier visits, the majority of the skier visits are from the December holiday season to the end of February. Furthermore, a significant portion of revenue is generated on certain holidays, particularly Christmas/New Year, school spring breaks, and on weekends. Problems during these peak periods, such as adverse weather conditions, access route closures or equipment failures, could have a material adverse effect on RED and its performance and the financial condition, results of operations and cash flows of the Partnership. The operating results for any particular quarter are not necessarily indicative of the operating results for a subsequent quarter or for the full fiscal year.

#### *Capital Expenditures*

RED operates in a capital-intensive industry and the Partnership has made significant capital expenditures to establish RED's competitive position. There can be no assurance that RED will have adequate funds, from internal or external sources, to make all planned or required capital expenditures. A lack of available funds for such capital expenditures could have a material adverse effect on RED's ability to implement its operating and growth strategies.

#### *Currency Fluctuations*

A significant portion of the destination guests as well as some regional guests are from locations outside Canada. As a result, a significant increase in the value of the Canadian dollar, particularly against the U.S. dollar, British pound, European euro and Australian dollar, could impact visits and could have a material adverse effect on RED and its prospects and the financial condition, results of operations and cash flows of the Partnership.

### *Competition*

RED operates in a competitive industry. RED competes with mountain resort areas in the United States, Canada and Europe for destination visitors and with several ski areas in the region. New mountain resorts that may be developed in the region around RED Mountain may lead to increased regional competition. RED also competes with other worldwide recreation resorts, including warm-weather resorts, for vacation guests outside the traditional ski season.

RED's major North American competitors include the major Colorado and Utah ski areas, the Lake Tahoe mountain resorts in California and Nevada, the Quebec and New England mountain resorts and certain ski areas in the Canadian Rockies and the British Columbia Coast Mountains. The competitive position of RED is dependent upon many diverse factors such as its proximity to population centers, availability and cost of transportation to the resorts, including direct flight availability by major airlines, pricing, snowmaking capabilities, type and quality of skiing offered, duration of the ski season, prevailing weather conditions, quality of golf facilities, the number, quality and price of related services and lodging facilities, and the reputation of the resort.

### *Dependence on Key Employees*

The success of RED depends in part on its senior management. The unanticipated departure of any key member of the senior management team could have a material adverse effect on RED and its prospects and the financial condition, results of operations and cash flows of the Partnership.

### *Dependence on a Seasonal Workforce*

RED's operations are highly dependent on a large seasonal workforce. RED recruits year-round to fill hundreds of seasonal staffing needs each season and works to manage seasonal wages and the timing of the hiring process to ensure the appropriate workforce is in place as needed. RED cannot guarantee that material increases in the cost of securing its seasonal workforce will not be necessary in the future. Furthermore, RED cannot guarantee that it will be able to recruit and hire adequate seasonal personnel as the business requires. Increased seasonal wages or an inadequate workforce could have an adverse impact on RED's results of operations and its prospects and the financial condition, results of operations and cash flows of the Partnership.

### *Adequacy of Insurance Coverage*

Upon completion of the Offering, the Partnership and the General Partner will be insured against property damage, business interruptions and general liability. There can be no assurance that such insurance will remain available to the Partnership or the General Partner at commercially reasonable rates or that the amount of such coverage will be adequate to cover any liability incurred by the Partnership or the General Partner. If the Partnership or the General Partner are held liable for amounts exceeding the limits of its insurance coverage or for claims outside the scope of that coverage, RED and its performance and the financial condition, results of operations and cash flows of the Partnership and the General Partner could be materially adversely affected.

### *Litigation or Governmental Investigations*

In the ordinary course of their business, the Partnership, the General Partner or either of them may in the future be named as a defendant or defendants in legal proceedings resulting from incidents taking place at RED. The Partnership and the General Partner may also be the subject of governmental investigations from time to time. Litigation and governmental investigations can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings or governmental

investigations are difficult to predict. An unfavourable resolution of lawsuits or governmental investigations could have a material adverse effect on RED and its prospects and the financial condition, results of operations or cash flows of the Partnership and the General Partner.

#### *Safety and Accident Risk*

The safety of guests and employees is a major concern and focus for all managers and employees of RED. By the nature of its activities, RED is exposed to the risk that guests or employees may be involved in accidents during the use, operation, or maintenance of ski lifts, rides and other resort facilities.

While RED is diligent in checking that all equipment is designed, manufactured, installed, operated, and maintained in strict compliance with current standards, so that under normal conditions, or conditions reasonably predictable by a professional, normal safety standards are respected, there are inherent risks associated with the RED Ski Resort activities. RED's guests or employees may be involved in accidents during the use, operation, or maintenance of ski lifts, rides and other resort facilities. Although RED has devised and implemented emergency plans to mitigate the consequences in case of serious accident, no assurance can be made that RED is prepared for all possible accidents or unforeseen incidents.

#### *Environmental Laws and Regulations*

RED is subject to a variety of federal, provincial and local environmental laws and regulations including those relating to emissions to the air, discharges to water, storage, treatment and disposal of wastes, land use, remediation of contaminated sites, climate change and protection of natural resources. Certain kinds of future expansions of RED's facilities would require it to carry out environmental assessments and apply for government approvals which may require prior First Nations consultations to be carried out. Such proposals may not be approved or may be approved with modifications that substantially increase the cost or decrease the desirability of implementing the project. RED's facilities are also subject to risks associated with mould and other indoor building contaminants. From time to time, RED's operations are subject to inspections by environmental regulators or other regulatory agencies. RED is also subject to worker health and safety requirements as well as to land use criteria and potential remediation obligations applicable to the presence of regulated substances. Management believes that RED's operations are in compliance with applicable environmental, health and safety requirements in all material respects. However, efforts to comply do not eliminate the risk that RED may be held liable, incur fines or be subject to claims for damages, and that the amount of any liability, fines, damages or remediation costs may be material for, among other things, the presence or release of regulated materials at, on or emanating from properties RED now owns or formerly owned or operated, newly discovered environmental impacts or contamination at or from any of RED's properties, or changes in environmental laws and regulations or their enforcement. Liability for any fines, penalties, damages or remediation costs or changes in environmental laws or regulations could have a material adverse effect on RED and its performance, financial conditions, results of operations and cash flows.

#### *Leisure and Business Travel*

RED's business is sensitive to the willingness of its guests to travel. Acts of terrorism, the spread of contagious diseases, regional political events and developments in military conflicts in areas of the world from which RED draws its guests could depress the public's willingness to travel and cause severe disruptions in both domestic and international air travel and consumer discretionary spending. This could reduce the number of visitors to the resort and have an adverse effect on RED. Many of RED's guests travel by air and the impact of higher prices for commercial airline services and availability of air services could cause a decrease in visitation by destination guests to the resort.

Also, many of RED's guests travel by vehicle and higher gasoline prices could adversely impact RED's guests' willingness to travel to its resort. Higher cost of travel may also affect the amount that guests are willing to spend at the resort and could negatively impact the Partnership's revenue, particularly for lodging, ski school, dining and retail/rental. A decrease in leisure and business travel could have a material adverse effect on RED and its performance, financial condition, results of operations and cash flows.

#### *Impact of Natural Disasters*

A severe natural disaster, such as a forest fire, flood, landslide or an avalanche, may interrupt RED's operations, damage its properties and/or reputation and reduce the number of guests who visit RED Mountain. Damage to properties could take a long time to repair and there is no guarantee that the Partnership or the General Partner would have adequate insurance to cover the costs of such a repair. Furthermore, such a disaster may interrupt or impede access to RED's affected properties or require evacuations and may cause visits to the affected properties to decrease for an indefinite period. The ability to attract visitors to the RED Ski Resort is also influenced by the aesthetics and natural beauty of the outdoor environment where the resort is located. A severe forest fire or other severe impacts from naturally occurring events could negatively impact the natural beauty of RED Mountain and have a long-term negative impact on guest visitation as it would take several years for the environment to recover. A severe natural disaster could have a material adverse effect on RED and its performance, financial condition, results of operations and cash flows.

#### *Privacy Laws and Guest Information*

RED collects personally identifiable information relating to its guests for various business purposes, including marketing and promotional purposes. The integrity and privacy of its guests' information is important to RED and guests have a high expectation that RED will adequately protect their personal information. The regulatory environment governing privacy laws is increasingly demanding and privacy laws continue to evolve and on occasion may be inconsistent from one jurisdiction to another. Maintaining compliance with applicable privacy regulations may increase RED's operating costs and/or adversely impact RED's ability to market its products, properties and services to its guests. Furthermore, non-compliance with applicable privacy regulations by RED (or in some circumstances non-compliance by third parties engaged by RED), breach of security on systems storing RED's guest data, a loss of guest data or fraudulent use of guest data could adversely impact RED's reputation or result in fines or other damages, litigation and regulatory investigations.

#### *Credit Card Risk*

RED transmits confidential credit card information in connection with its various guest services, including its lift operations, food and beverage operations, rental operations, retail operations, ski school operations and other operations. Third parties may have the technology or know-how to breach the security of this customer information, and RED's security measures and those of its technology vendors may not effectively prevent others from obtaining improper access to this information. Any security breach could expose RED to risks of data loss, litigation and liability and could seriously disrupt its operations and any resulting negative publicity could significantly harm its reputation.

#### *Trademarks and Brand Value*

RED's trademarks and tradenames are an important component of its business and the continued success of RED depends in part upon its continued ability to use these trademarks to increase brand awareness and further develop the "RED Mountain" brand in both domestic and international markets. The unauthorized use of these trademarks could diminish the value of the "RED Mountain" brand and its

market acceptance, competitive advantages or goodwill, which could adversely affect its business. Litigation may be necessary to enforce the Partnership's or the General Partner's intellectual property rights or to determine the validity and scope of the proprietary rights of others. Additionally, a negative public image or other adverse events which become associated with the "RED Mountain" brand could adversely affect RED and its prospects and the financial condition, results of operations and cash flows of the Partnership and the General Partner. The advent of the Internet and accessibility of social media may also give disgruntled visitors and contracting counterparties increased ability to adversely affect the brand and reputation of RED.

### ***Risks Related to an Investment in the Class D Units***

#### *Fluctuations in the Price of the Class D Units*

There has been no public market for the Class D Units and a market is not expected to develop in the foreseeable future. The Partnership cannot predict the extent to which investor interest will lead to the development of an active and liquid trading market in the Class D Units and it is possible that an active and liquid trading market will not develop or be sustained. If such a market does not develop or is not sustained, it may be difficult for unitholders to sell their Class D Units at an attractive price or at all. The price of the Class D Units may decline below the initial Subscription Price and unitholders may not be able to sell their Class D Units at or above the initial Subscription Price. Some companies that have had volatile market prices for their securities have had securities class action lawsuits filed against them. If a lawsuit were to be filed against the Partnership, regardless of the outcome, it could result in substantial costs and a diversion of management's attention and resources.

The price of the Class D Units may fluctuate substantially in response to a number of events, including:

- sales of Class D Units by significant unitholders;
- departures of key personnel;
- future announcements concerning RED;
- actual or anticipated developments in RED's competitors' businesses or the competitive landscape generally;
- litigation involving the Partnership, the General Partner, the industry in which RED operates or all of them;
- general market, economic and political conditions;
- regulatory developments;
- natural disasters, terrorist attacks and acts of war; and
- other risks described in this section.

#### *No Guarantee that Investment in Units will be Profitable*

There can be no guarantee against losses resulting from an investment in the Class D Units and there can be no assurance that the Partnership's strategy of investing in RED will be successful or profitable, or that the Partnership's development of RED Mountain will be successful or that the Partnership's objective of earning a profit on the development of RED Mountain will be achieved. Accordingly, there is no

guarantee of any return, dividend or distribution on the Class D Units. Subscribers for Class D Units have no rights or claims for any losses resulting from an investment in the Class D Units.

#### *Highly Speculative*

The purchase of the Class D Units is highly speculative. The value of the Class D Units can be expected to be realized on a sale, which may not happen in the foreseeable future. A potential Subscriber should be prepared to make a long term investment in RED Mountain and should purchase the Class D Units only if it is able to bear the risk of the entire loss of its investment. An investment in the Class D Units should not constitute a significant portion of a Subscriber's investment portfolio.

#### *Restrictions on Trading*

The Class D Units will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, a unitholder in Canada will not be able to trade the Class D Units unless it complies with limited exemptions from the prospectus and registration requirements under applicable securities legislation. In Canada, Subscribers may be able to sell their Class D Units to "accredited investors" as defined under applicable securities laws, subject to General Partner approval of the transfer. In the United States, Subscribers will be able to sell their Class D Units without restriction so long as no sale is made to a purchaser resident in Canada and the General Partner approves the transfer. As the Partnership has no intention of becoming a reporting issuer in any jurisdiction in Canada, these restrictions in trading in Canada may never expire. There is no public or established market over which the Class D Units may be traded and it is unlikely that one will ever develop. Consequently, unitholders in Canada may not be able to liquidate their investment in a timely manner, if at all, or pledge the Class D Units as collateral for loans. See Item 10 – "Resale Restrictions".

#### *Price for the Class D Units*

As there is no market for the Class D Units, the Partnership has exercised its discretion in determining the offering price of the Class D Units offered pursuant to this Offering Memorandum. The Partnership makes no representation to prospective Subscribers as to the market value of the Class D Units. All prospective Subscribers are urged to consider the purchase of the Class D Units on its merits as an investment and to consult professional advisors having relevant expertise.

#### *Class D Units Not Insured*

The Partnership is not a member institution of the Canada Deposit Insurance Corporation and the Class D Units offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Corporation.

#### *Class D Units May Not be Redeemed*

The Class D Units have no fixed or guaranteed redemption or maturity date, meaning that the Partnership has no obligation to redeem the Class D Units at any time or under any circumstances.

#### *Tax Aspects*

Canadian federal and provincial tax aspects and local tax aspects should be considered prior to investing in the Class D Units. See Item 6 – "Income Tax Consequences and RRSP Eligibility" of this Offering Memorandum. The return on a unitholder's investment is subject to changes in tax laws. There can be no assurance that tax laws or judicial or administrative interpretations will not be changed in a manner which fundamentally alters the tax consequences to unitholders of holding or disposing of the Class D Units.

Accordingly, Subscribers are urged to consult their own professional advisers to obtain advice on the income tax consequences that apply to that particular Subscriber

**THE FOREGOING STATEMENT OF RISKS DOES NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL THE RISKS INVOLVED IN PURCHASING THE CLASS D UNITS. POTENTIAL SUBSCRIBERS SHOULD READ THIS ENTIRE OFFERING MEMORANDUM AND ARE STRONGLY URGED TO CONSULT WITH THEIR LEGAL, TAX AND FINANCIAL ADVISERS, FOR ADVICE ON THE RISKS INVOLVED BEFORE MAKING A DECISION TO INVEST IN THE CLASS D UNITS.**

## **ITEM 9 REPORTING OBLIGATIONS**

The General Partner will either provide or otherwise make available to each unitholder the annual financial statements of the Partnership, together with a report of the Partnership's auditor thereon, and distribute such financial statements to each Limited Partner within ninety days of the end of the financial year end of the Partnership and together with such information as may reasonably be necessary to permit Limited Partners to report their respective share or income or losses of the Partnership for income tax purposes.

The Partnership does not currently intend to become a reporting issuer and therefore obligations of the Partnership to publicly disclose documents are limited. **Except as required by the Partnership Agreement and the Tax Act, other than the aforementioned delivery of audited financial statements, the Partnership is not required to send to unitholders any documents on an annual or ongoing basis.**

## **ITEM 10 RESALE RESTRICTIONS**

### **General Statement**

10.1 The Class D Units 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 Class D Units in Canada unless you comply with an exemption from the prospectus and registration requirements under applicable securities legislation.

### **Restricted Period**

10.2 Unless permitted under securities legislation, you cannot trade Class D Units of the Partnership in Canada before the date that is 4 months and a day after the date that the Partnership becomes a reporting issuer in any Province or Territory of Canada.

In Canada, Subscribers may be able to sell their Class D Units to "accredited investors" as defined under applicable securities laws, subject to General Partner approval of the transfer. In the United States, Subscribers will be able to sell their Class D Units without restriction so long as no sale is made to a purchaser resident in Canada and the General Partner approves the transfer. There can be no assurance that there will be a liquid market for such resales.

## **Manitoba Resale Restrictions**

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

- (a) the Partnership has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the Class D Units 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 11 PURCHASERS' RIGHTS**

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

Securities legislation in certain of the Provinces of Canada requires Subscribers to be provided with a remedy for rescission or damages, or both, in addition to any other right that they may have at law, where an offering memorandum and any amendment to it contains a misrepresentation. These rights are available whether or not the misrepresentation was relied upon. However there are various defences available to Persons who may be sued by a Subscriber. In particular, they have a defence if the Subscriber knew of the misrepresentation when the Subscriber purchased Class D Units. These remedies must be exercised by the Subscriber within strict time limits. Subscribers should refer to the provisions of applicable securities legislation for the complete text of these rights.

**The following summaries are subject to the express provisions of the securities legislation of each offering jurisdiction and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the Partnership and other applicable parties may rely. Subscribers should refer to those provisions for the particulars of these rights or consult with a legal adviser.**

Any rights of action described below are in addition to, and without derogation from, any right or remedy available at law to the purchaser and are subject to the defences contained in those laws. These remedies must be exercised by the purchaser within the time limits set out below.

### **Two Day Cancellation Right for All Subscribers**

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the General Partner by midnight on the second Business Day after you sign the Subscription Agreement to buy the securities.

### **Rights for Subscribers in British Columbia**

Securities legislation in British Columbia provides that every Subscriber pursuant to this Offering Memorandum shall have, in addition to any other rights they may have at law, a right of action for damages or rescission, against the issuer, every director of the issuer and every person who signs the Offering Memorandum or any amendment thereto, in the event that the Offering Memorandum or any

amendment thereto contains a misrepresentation. However, such rights must be exercised within prescribed time limits. Subscribers should refer to the applicable provisions of the British Columbia securities legislation for particulars of those rights or consult with a lawyer. For these purposes, a “misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated, or necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. A “material fact” means any fact that would reasonably be expected to have a significant effect on the market price or the value of the Class D Units.

In British Columbia, no action shall be commenced to enforce a statutory right of action unless the right is exercised: (a) in the case of rescission, not later than 180 days from the day of the transaction that gave rise to the cause of action, or (b) in the case of damages, not later than (i) 180 days from the day the Subscriber first had knowledge of the facts giving rise to the cause of action, or (ii) three years from the day of the transaction that gave rise to the cause of action, whichever is earlier.

Reference is made to the *Securities Act* (British Columbia) for the complete text of the provisions under which these rights are conferred and this summary is subject to the express provisions of the *Securities Act* (British Columbia).

### **Rights for Subscribers in Alberta**

Securities legislation in Alberta provides that if this Offering Memorandum contains a misrepresentation, a Subscriber who purchases a security offered by this Offering Memorandum, without regard to whether the Subscriber relied on the misrepresentation, has a right of action (a) for damages against (i) the Partnership, (ii) every director of the General Partner at the date of this Offering Memorandum, and (iii) every person or company who signed this Offering Memorandum, and (b) for rescission against the Partnership or selling security holder on whose behalf the distribution is made, provided that, among other limitations:

- (a) if the Subscriber elects to exercise its right of rescission, it shall cease to have a right of action for damages against the Partnership or persons referred to above;
- (b) neither the Partnership nor any person referred to above will be liable if it proves that the Subscriber had knowledge of the misrepresentation;
- (c) no person or company (other than the Partnership) referred to above will be liable if it proves that this Offering Memorandum was sent to the Subscriber 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 of the Alberta Securities Commission and the Partnership that it was sent without the knowledge and consent of the person or company;
- (d) no person or company (other than the Partnership) referred to above will be liable if it proves that the person or company, after the sending of the Offering Memorandum and before the purchase of the securities, on becoming aware of the misrepresentation in this Offering Memorandum, withdrew the person’s or company’s consent to this Offering Memorandum and gave reasonable notice to the Executive Director of the Alberta Securities Commission and the Partnership of the withdrawal and the reason for it;
- (e) no person or company (other than the Partnership) referred to above will be liable if, with respect to any part of this 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 this Offering Memorandum (A) did not fairly represent the report, opinion or statement of the expert, or (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (f) the person or company (other than the Partnership) will not be liable if with respect to any part of this 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 if, after conducting a reasonable investigation:
- (i) the person or company had no reasonable grounds to believe there was a misrepresentation; and
  - (ii) (ii) did not believe there was a misrepresentation;
- (g) in no case shall the amount recoverable exceed the price at which the securities were offered under this Offering Memorandum;
- (h) the defendant will not be 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; and
- (i) the Partnership will not be liable for a misrepresentation in forward-looking information if the Partnership proves: (i) that this Offering Memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and (ii) the Partnership has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information

In Alberta, no action may be commenced to enforce these rights more than: (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action, or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days from the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) 3 years from the day of the transaction that gave rise to the cause of action.

Reference is made to the *Securities Act* (Alberta) for the complete text of the provisions under which these rights are conferred and this summary is subject to the express provisions of the *Securities Act* (Alberta).

### **Rights for Subscribers in Ontario**

Securities legislation in Ontario provides that every Subscriber pursuant to this Offering Memorandum shall have a statutory right of action for damages or rescission against the Partnership and any selling security holder in the event that this Offering Memorandum contains a misrepresentation. A Subscriber who purchases securities offered by this Offering Memorandum during the period of distribution has,

without regard to whether the Subscriber relied upon the misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the Partnership and any selling security holder provided that: (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the Partnership and the selling security holders, if any; (b) the Partnership and the selling security holders, if any, will not be liable if they prove that the Subscriber purchased the securities with knowledge of the misrepresentation; (c) the Partnership and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; (d) in no case shall the amount recoverable exceed the price at which the securities were offered; and the Partnership will not be liable for a misrepresentation in forward-looking information if the Partnership proves: (i) that this Offering Memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and (ii) the Partnership has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

In Ontario, no action shall be commenced to enforce these rights more than: (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of an action for damages, the earlier of: (i) 180 days after the date that the Subscriber first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

Reference is made to the *Securities Act* (Ontario) for the complete text of the provisions under which these rights are conferred and this summary is subject to the express provisions of the *Securities Act* (Ontario).

### **Rights for Subscribers in New Brunswick**

If this Offering Memorandum, together with any amendments thereto, is delivered to a Subscriber, and this Offering Memorandum contains a “misrepresentation” which was a misrepresentation at the time of the purchase of the Class D Units, the Subscriber will have a right of action against the Partnership for damages, or while still the owner of the Class D Units, for rescission, in which case, if the Subscriber elects to exercise the right of rescission, the Subscriber will have no right of action for damages. However, such rights must be exercised within prescribed time limits.

Subscribers should refer to the applicable provisions of the New Brunswick securities legislation for particulars of those rights or consult with a lawyer. For these purposes, a “misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is necessary to make a statement not misleading in the light of the circumstances in which it was made. A “material fact” means any fact that would reasonably be expected to have a significant effect on the market price or the value of the Class D Units.

The Partnership will not be liable if it proves that the Subscriber purchased the securities with knowledge of the misrepresentation. In the case of an action for damages, the issuer will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon and in no case will the amount recoverable in any action exceed the price at which the securities were sold to the Subscriber.

No action may be commenced to enforce any of the foregoing rights: (a) in the case of rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any other action, other than an action for rescission, the earlier of (i) one year after the Subscriber first

had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of the transaction that gave rise to the cause of action.

The right of action for rescission or damages is in addition to and without derogation from any other right the Subscriber may have at law.

### **Rights for Subscribers in Nova Scotia**

Section 65 of the *Securities Act* (Nova Scotia) (the “NS Act”) requires the Partnership to notify Subscribers purchasing Class D Units pursuant to this Offering Memorandum in the Province of Nova Scotia that they may have the following rights of rescission or damages.

In the event that the Offering Memorandum, together with any amendments thereto, or any “advertising or sales literature” (as defined in the NS Act) delivered to a Subscriber, contains any untrue statement of material fact or omits to state a material fact necessary in order to make any statement not misleading in light of circumstances in which it was made (i.e., a misrepresentation) and it is a misrepresentation on the date of investment, a Subscriber to whom the Offering Memorandum and any amendment thereto, or any “advertising or sales literature” (as defined in the NS Act), has been delivered on behalf of the Partnership and who purchases Class D Units shall be deemed to have relied on such misrepresentation and such Subscriber shall have a right of action against the Partnership for damages, and, subject to certain additional defenses, against directors of the General Partner and persons who have signed the Offering Memorandum, or so long as such Subscriber is the owner of such Class D Units at his, her or its election, for rescission, in which case he, she or it shall have no right of action for damages against the Partnership, directors of the General Partner or persons who have signed the Offering Memorandum.

For Subscribers, this right is exercisable if an action is commenced to enforce this right within 120 days after the date on which payment was made for the Class D Units by the Subscribers or after the date on which the initial payment for the Class D Units was made by the Subscriber where payments subsequent to the initial payment are made by the Subscriber pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

These rights are intended to correspond with the rights against a seller of securities provided in Section 138 of the NS Act and the Rules thereto and are subject to defences contained therein such as:

- (a) the Partnership will not be held liable if the Subscriber purchased the Class D Units with knowledge of the misrepresentation;
- (b) in an action for damages, the Partnership will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the Class D Units as a result of the misrepresentation relied upon; and
- (c) in no case will the amount recoverable by a Subscriber exceed the price at which the Class D Units were sold to the Subscriber.

In addition, no person or company other than the Partnership is liable if the person or company proves that:

- (a) the Offering Memorandum or the amendment to the Offering Memorandum 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;

- (b) after delivery of the Offering Memorandum or the amendment to the Offering Memorandum and before the purchase of the Class D Units by the Subscriber, on becoming aware of any misrepresentation in the Offering Memorandum, or amendment to the Offering Memorandum, the person or company withdrew the person's or company's consent to the Offering Memorandum, or amendment to the Offering Memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of the Offering Memorandum or amendment to the Offering Memorandum 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 (iii) there had been a misrepresentation, or (iv) the relevant part of the Offering Memorandum or amendment to 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.

Furthermore, no person or company other than the Partnership is liable with respect to any part of the Offering Memorandum or amendment to the Offering Memorandum 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 (c) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or (d) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, the Offering Memorandum or amendment to the Offering Memorandum, the misrepresentation is deemed to be contained in the Offering Memorandum or amendment to the Offering Memorandum.

The right of action for rescission or damages described herein is conferred by section 138 of the NS Act and is in addition to and without derogation from any right the purchaser may have at law.

#### **Contractual Rights of Action for Subscribers in Saskatchewan, Manitoba and Quebec**

If there is a misrepresentation in the Offering Memorandum, Subscribers resident in Saskatchewan, Manitoba and Quebec the ("**Contractual Jurisdictions**") will have, in addition to any statutory rights that may be available to them, a contractual right to sue the Partnership:

- (a) to cancel the Subscriber's agreement to buy the Class D Units, or
- (b) for damages against
  - (i) the Partnership;
  - (ii) the selling security holder on whose behalf the distribution is made;
  - (iii) every director of the General Partner of the Partnership at the date of the Offering Memorandum; and
  - (iv) every person who signed the Offering Memorandum.

This contractual right to sue is available to the Subscriber whether or not the Subscriber relied on the misrepresentation. However, in an action for damages, the amount the Subscriber may recover will not

exceed the price that the Subscriber paid for the securities and will not include any part of the damages that the Partnership proves does not represent the depreciation in value of the securities resulting from the misrepresentation. The Partnership has a defence if it proves that the Subscriber knew of the misrepresentation when the Subscriber purchased the securities.

If a Subscriber intends to rely on the rights described in (a) or (b) above, it must do so within strict time limitations. A Subscriber must commence its action to cancel the agreement within 180 days after it signed the agreement to purchase the securities. The Subscriber must commence its action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after it signed the agreement purchase the securities.

**ITEM 12**  
**FINANCIAL STATEMENTS**

The following financial statements appear as part of this Item 12:

- Audited Financial Statements for the Partnership as at April 30, 2016; and
- Audited Financial Statements for the Partnership as at April 30, 2017.

In addition, although the General Partner has nominal assets, separate audited financial statements for the General Partner for the last two fiscal years of the General Partner will be posted on FrontFundr as a supplement to this Offering Memorandum at least two weeks prior to the first Closing.

**RED MOUNTAIN VENTURES LIMITED PARTNERSHIP**

**Financial Statements**

As at April 30, 2016 and April 30, 2017

Attached.



**RED MOUNTAIN VENTURES LIMITED PARTNERSHIP**

**CONSOLIDATED FINANCIAL STATEMENTS**

**APRIL 30, 2017 and 2016**

**Red Mountain Ventures Limited Partnership  
Index to Consolidated Financial Statements  
April 30, 2017 and 2016**

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Balance Sheets as of April 30, 2017 and 2016	2
Consolidated Statements of Operations and Other Comprehensive Income for the years ended April 30, 2017 and 2016	3
Consolidated Statements of Changes in Limited Partnership Interest for the two years ended April 30, 2017	4
Consolidated Statements of Cash Flows for the years ended April 30, 2017 and 2016	5
Notes to the Consolidated Financial Statements	6



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the General Partner and Unit Holders of  
Red Mountain Ventures Limited Partnership

We have audited the accompanying consolidated balance sheets of Red Mountain Ventures Limited Partnership as of April 30, 2017 and 2016, and the related consolidated statements of operations and other comprehensive income, changes in limited partnership interest and cash flows for each of the two years ended April 30, 2017 and 2016, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Red Mountain Ventures Limited Partnership as of April 30, 2017 and 2016, the related consolidated statements of operations and other comprehensive income, changes in limited partnership interest and cash flows for each of the two years ended April 30, 2017 and 2016, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

*HRP CPAs*  
**HRP CPAS, LLC**

**AUGUST 11, 2017**

RED MOUNTAIN VENTURES LIMITED PARTNERSHIP  
CONSOLIDATED BALANCE SHEETS  
APRIL 30, 2017 AND 2016  
(US \$)

	ASSETS	
	2017	2016
Current assets		
Cash and cash equivalents	\$ 912,578	\$ 1,247,601
Accounts receivable, net	332,670	42,234
Prepaid expenses	142,698	39,278
Inventory	236,645	223,914
Total current assets	1,624,592	1,553,027
Property, plant and equipment, net	9,151,761	10,333,075
Land development costs	12,635,421	13,763,756
Goodwill	51,652	56,193
Total assets	\$ 23,463,426	\$ 25,706,051
LIABILITIES AND PARTNERSHIP INTEREST		
Current liabilities		
Accounts payable and accrued expenses	\$ 636,910	\$ 667,298
Deferred revenue	1,021,990	1,140,302
Total current liabilities	1,658,900	1,807,600
Long-term liabilities		
Convertible debts	25,626,394	23,785,597
Other long-term debt	3,126,309	3,493,045
Capital leases	91,363	224,966
Total long-term liabilities	28,844,066	27,503,608
Total liabilities	30,502,966	29,311,208
Commitments and contingencies		
Partnership interest		
Initial partnership interest	2,657	2,657
Class A units contribution	1,109	1,102
Class B units contribution	13,083,607	13,065,481
Other comprehensive income	3,214,425	2,786,593
Accumulated deficit	(28,597,384)	(24,729,353)
Total partnership interest attributable to Partnership	(12,295,586)	(8,873,519)
Non-controlling interest	5,256,046	5,268,362
Total partnership interest	(7,039,540)	(3,605,158)
Total liabilities and partnership interest	\$ 23,463,426	\$ 25,706,051

See Accompanying Notes to Consolidated Financial Statements

RED MOUNTAIN VENTURES LIMITED PARTNERSHIP  
CONSOLIDATED STATEMENTS OF OPERATIONS  
AND OTHER COMPREHENSIVE INCOME  
(US \$)

	Year Ended 2017	Year Ended 2016
	<u>2017</u>	<u>2016</u>
Operating revenue		
Lift Revenue	\$ 3,883,567	\$ 3,135,534
Retail and rental	613,136	526,850
Property management	576,199	538,647
Food and beverage	1,080,916	937,447
Real estate sales	83,475	60,918
Other revenue	294,873	241,808
Total operating revenue	<u>6,532,166</u>	<u>5,441,204</u>
Cost of good sold	<u>814,568</u>	<u>805,374</u>
Gross profit	5,717,598	4,635,830
Operating expenses		
Wages and benefits	2,869,543	2,652,940
Depreciation	653,882	664,590
Selling and marketing	135,162	133,446
Equipment rental and leases	235,695	276,907
Property taxes	69,810	77,103
General and administration	1,867,602	1,519,408
Total operating expenses	<u>5,831,694</u>	<u>5,324,394</u>
Loss from operations	(114,096)	(688,564)
Other expense		
Interest expense	(3,766,250)	(2,625,936)
Total other expense	<u>(3,766,250)</u>	<u>(2,625,936)</u>
Net loss	<u>(3,880,346)</u>	<u>(3,314,500)</u>
Net loss attribute to Non-controlling interest	<u>(12,316)</u>	<u>(23,421)</u>
Net Loss attribute to Partnership	<u>\$ (3,868,030)</u>	<u>\$ (3,291,079)</u>
Comprehensive loss		
Net loss	(3,880,346)	(3,314,500)
Foreign currency translation adjustment	427,832	(146,447)
Comprehensive loss	<u>(3,452,514)</u>	<u>(3,460,947)</u>
Comprehensive loss attribute to Non-controlling interest	<u>(12,316)</u>	<u>(23,421)</u>
Comprehensive loss attribute to Partnership	<u>\$ (3,440,198)</u>	<u>\$ (3,437,526)</u>

See Accompanying Notes to Consolidated Financial Statements

RED MOUNTAIN VENTURES LIMITED PARTNERSHIP  
STATEMENTS OF CHANGES IN LIMITED PARTNERSHIP INTEREST  
FOR THE TWO YEARS ENDED APRIL 30, 2017

(US \$)

	Initial Partnership Interest	Non-controlling Interest	Partner Contributions	Other comprehensive Income	Accumulated Deficit	Total
Balance April 30, 2015	\$ 2,657	\$ 5,291,783	\$ 13,066,584	\$ 2,933,040	\$ (21,438,274)	\$ (144,210)
Foreign currency translation loss	-	-	-	(146,447)	-	(146,447)
Net loss	-	(23,421)	-	-	(3,291,079)	(3,314,500)
Balance April 30, 2016	2,657	5,268,362	13,066,584	2,786,593	(24,729,353)	(3,605,158)
Partner's redemption			18,132			18,132
Foreign currency translation gain	-	-	-	427,832	-	427,832
Net loss	-	(12,316)	-	-	(3,868,031)	(3,880,346)
Balance April 30, 2017	<u>\$ 2,657</u>	<u>\$ 5,256,046</u>	<u>\$ 13,084,716</u>	<u>\$ 3,214,425</u>	<u>\$ (28,597,384)</u>	<u>\$ (7,039,539)</u>

See Accompanying Notes to Consolidated Financial Statements

RED MOUNTAIN VENTURES LIMITED PARTNERSHIP  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(US\$)

	Year Ended 2017	Year Ended 2016
Cash flows from operating activities:		
Net loss	\$ (3,880,346)	\$ (3,314,500)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	653,882	663,918
Interest expense	3,766,250	2,625,936
Loss on sale of land	24,633	46,841
Changes in operating assets and liabilities:		
Accounts receivable	(304,597)	291,217
Inventory	(31,954)	136,127
Prepaid expenses	(110,493)	(19,927)
Accounts payable	24,391	57,407
Deferred revenue	(27,114)	302,119
Cash generated from operations	114,652	789,139
Interest paid	(142,388)	(202,417)
Net cash provided by (used in) operating activities	(27,736)	586,723
Cash flows from investing activities:		
Proceeds from sale of fixed assets	83,475	60,918
Purchase of fixed assets	(386,489)	(1,203,265)
Net cash used in investing activities	(303,014)	(1,142,347)
Cash flows from financing activities:		
Proceeds from redemption of former partner interest	18,369	-
Proceeds from long-term borrowings	303,546	1,713,312
Payments on long-term borrowings	(233,926)	(111,098)
Net cash provided by financing activities	87,989	1,602,214
Net change in cash	(242,762)	1,046,590
Cash balance as of May 1	1,247,601	159,361
Change in comprehensive income (loss)	(92,261)	41,650
Cash balance as of April 30	\$ 912,578	\$ 1,247,601
Supplemental disclosure of non-cash financing activities:		
Foreign currency translation adjustments	\$ (92,261)	\$ 41,650

See Accompanying Notes to Consolidated Financial Statements

**Red Mountain Ventures**  
**Notes to Consolidated Financial Statements**  
**April 30, 2017 and 2016**  
**(US\$)**

---

**NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION**

Red Mountain Ventures Limited Partnership together with its subsidiaries collectively referred to as “Partnership” “RMVLP” “Red Mountain Ventures” or “RED” was formed as a British Columbia limited partnership on May 14, 2004 in connection with the acquisition of the Red Mountain Ski Resort Inc. in Rossland, British Columbia, Canada. RMVLP is managed by its sole general partner, Red Mountain Ventures G.P. Ltd. RMVLP owns direct and indirect interest in the legal entities that carry on the business (the “Red Business”) of Red Mountain Ski Resort (the “Red Ski Resort”) and hold its real estate interest.

RMR Acquisition Corp. (“RMR”)

RMR, a wholly owned subsidiary of the Partnership, owns the real property comprising the RED Ski Resort and the office furniture and equipment located at the RED Business offices. RMR, directly or indirectly, through a number of subsidiaries and affiliates, has an ownership interest in certain real estate surrounding the RED Ski Resort.

Red Resort Limited Partnership

Red Resort Limited Partnership is a wholly owned subsidiary of RMR and operates the RED Ski Resort. Red Resort Limited Partnership owns the assets related to the mountain operations of the RED Ski Resort including buildings, lifts and associated equipment.

Leroi Acquisition Corp.

Leroi Acquisition Corp. is a wholly owned subsidiary of the Partnership and operates the RED retail and rental business at the RED Ski Resort.

Red Property Management Ltd.

Red Property Management Ltd. is a wholly owned subsidiary of RMR and provides reservations and property management services for approximately 60 privately owned condominiums rental units at the base of RED Mountain.

Other Non-Material Subsidiaries and Affiliates:

Hannah Creek Limited Partnership

This partnership owns certain property in Rossland, British Columbia, which was to be subdivided and developed into approximately 50 condominium units contained in two three-to-five story buildings and related infrastructure. RMR owns a 50% interest in this partnership and third party investors own the remaining 50% interest. This partnership is currently inactive.

Slalom Creek Limited Partnership

This partnership developed certain property located in the central base area of the RED Ski Resort into condominium units which have since been sold. RMR owns approximately a 46.5% interest in the partnership and third party investors own the remaining 53.5% interest. This partnership is inactive and is expected to be dissolved at some point in the future.

### Red Development Co. Ltd.

Red Development Co. Ltd., a wholly-owned subsidiary of RMR, acts as general partner to Hannah Creek Limited Partnership and Slalom Creek Limited Partnership. In addition, Red Development Co. Ltd. provides research and investigative services to assist with feasibility analyses of potential future projects at RED Mountain, including further marketing of Caldera, the potential development of an 82-90 pillow youth hostel and the potential development of an additional 64 unit condominium project.

### That Seventies Project Limited Partnership

This partnership beneficially owns and subdivided real property for sale near the base of the RED Ski Resort through its wholly-owned subsidiary That Seventies Project Development Ltd. The subdivided lots are marketed as the "Caldera" development. RMR owns a 50% interest in That Seventies Project Limited Partnership and third party investors own the remaining 50% interest.

Revenues are highly seasonal. The ski season generally runs from mid-December to early April. Red Property Management Ltd. operates year round but sees limited business between May and November. Leroi Acquisition Corp operates only during the ski season. Between May and November Red Resort Limited Partnership performs maintenance, completes capital projects and develops sales and marketing plans for the coming ski season.

The Partnership's year-end is April 30.

The Partnership's securities are not traded on any stock exchange in Canada and thus, Red Mountain Ventures is not subject to regulation by any Canadian stock exchange. The Partnership's securities are also not registered under the United States Securities Act of 1933 nor are they traded on any securities or stock exchange in the United States. As a result, the Partnership is not presently subject to the reporting, certification or other requirements imposed on U.S. registered issuers under, among other things, U.S. Sarbanes-Oxley Act of 2002 ("SOX"). As a non reporting issuer designation under the Canadian securities laws, the Partnership is subject to limited reporting requirements – specifically related to the issuance of securities.

## **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies applied in the presentation of the accompanying consolidated financial statements follows:

### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS. The financial statements have been prepared in United States Dollars, under the historical cost convention. The accounts have been rounded to the nearest dollar.

In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

The accompanying consolidated financial statements include the accounts of the Partnership and its aforementioned subsidiaries and entities under common ownership. All significant intercompany accounts and transactions have been eliminated in consolidation. The ownership interest in subsidiaries that are held by owners other than the Partnership are recorded as non-controlling interest and reported in our consolidated balance sheets within partnership interest. Losses attributed to the non-controlling interest and to the Partnership are reported separately in our consolidated statements of operations and other comprehensive income.

The accompanying consolidated financial statements have been prepared on a going concern basis which implies the Partnership will continue to meet its obligations for the next 12 months as of the date these financial statements are issued.

While management's projected cash flows are forecasted to be sufficient to meet the Partnership's obligations over the next 12 months, management believes it is prudent to continue its capital raising efforts in case its forecast is not achieved. Management's plan to continue as a going concern includes raising capital in the form of debt or equity, increased gross profit from organic revenue growth and managing and reducing operating and overhead costs.

However, management cannot provide any assurances that the Partnership will be successful in accomplishing any of its plans. Management also cannot provide any assurance that unforeseen circumstances that could occur at any time within the next twelve months or thereafter will not increase the need for the Partnership to raise additional capital on an immediate basis.

However, based upon an evaluation of the Partnership's continued growth trajectory, past success in raising capital and meeting its obligations as well as its plans for raising capital discussed above, management believes that the Partnership is a going concern.

#### Cash and cash equivalents

Cash and cash equivalents in the balance sheets is comprised of cash at bank and on hand. Cash and cash equivalents include cash at hand and short-term bank deposits with original maturities of three months or less, that are not restricted as to withdrawal or use, and are therefore considered to be cash equivalents.

#### Accounts receivable

Accounts receivable are generally unsecured. The Partnership establishes an allowance for doubtful accounts receivable based on the age of outstanding invoices and management's evaluation of collectability. Accounts are written off after all reasonable collection efforts have been exhausted and management concludes that likelihood of collection is remote. Any future recoveries are applied against the allowance for doubtful accounts. As of April 30, 2017 and 2016, allowance for doubtful accounts was \$0 and \$0, respectively.

#### Inventory

Inventory consists primarily of purchased retail goods, food and beverage items and rental equipment. The Partnership's inventory is stated at the lower of cost or net realizable value, determined using primarily an average weighted cost method.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation on assets is calculated using the diminishing balance method by applying the depreciation rate to the net book value of the asset, resulting in a diminishing annual charge. The cost/net book value is allocated over their estimated useful lives, as follows:

	No. of years
Building	25
Trail improvement	12.5
Lifts and tows and snow infrastructure	16.7
Furniture, fittings & equipment	5
Vehicles	3.3

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within the profit and loss account.

#### Property under development

The Partnership capitalizes as real estate held for sale and investment the original land acquisition cost, direct construction and development costs, property taxes, interest recorded on costs related to real estate under development and other related costs. The Partnership records capitalized interest once construction activities commence and real estate deposits have been utilized in construction. Development costs are applied against sale proceeds on a square footage basis.

#### Goodwill and intangible assets

Goodwill arose on the acquisition of Red Mountain Resort Inc. in 2004 and subsequent amalgamation with RMR and consists of the excess of the purchase price of the shares over the net book value of the assets of Red Mountain Resort Inc. at the date of acquisition. The goodwill is attributed substantially to land value. The Partnership tests goodwill annually for impairment. The testing of impairment consists of a comparison of the estimated fair value of the assets with their net carrying value. The Partnership determined that there was no impairment to goodwill for the years ended April 30, 2017 and 2016.

#### Long-lived assets

The Partnership periodically reviews its long-lived assets, including identifiable intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Partnership recognizes an impairment loss when the sum of expected undiscounted future cash flows will not be sufficient to recover an asset's carrying amount. The amount of impairment is measured as the difference between the estimated fair value and the book value of the underlying asset. The Partnership does not believe any events or changes in circumstances indicating an impairment of the net carrying amount of a long-lived asset occurred during the years ended April 30, 2017 and 2016.

#### Capital leases contracts

Assets held under equipment lease agreements are capitalized in the balance sheet and are depreciated over their useful life. The corresponding purchase obligation is capitalized in the balance sheet as a liability. The interest element of the obligation is charged to the profit or loss account over the period of the contract and represents a constant proportion of the balance sheet capital repayments outstanding.

#### Convertible Debt

If the conversion features of conventional convertible debt provides for a rate of conversion that is below market value at issuance, this feature is characterized as a beneficial conversion feature ("BCF"). A BCF is recorded by the Partnership as a debt discount. In those circumstances, the convertible debt is recorded net of the discount related to the BCF, and the Partnership amortizes the discount to interest expense or equity (if the debt is due to a related party), over the life of the debt using the effective interest method.

#### Investment in Joint Ventures

The Partnership owns a 50% interest in That Seventies Project, a real estate development project, and has capitalized approximately \$6.2 million and \$ 6.8 million, in development assets as of April 30, 2017 and 2016, respectively.

The Partnership owns a 49.99% interest in the Hannah Creek Project, a real estate development project, and has capitalized approximately \$1.7 million and \$ 1.8 million, in development assets as of April 30, 2017 and 2016, respectively.

The Partnership owns a 46.49 % interest in the Slalom Creek and has not incurred and or capitalized any costs in connection with this venture. This entity is expected to be dissolved in the near future.

#### Foreign currencies

The functional currency of the Partnership is Canadian Dollar (CAD). The reporting currency of the financial statements is United States Dollars. Income and expenses for each statement of profit and loss shall be translated at an average exchange rate for the year. All assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Equity accounts are translated using historical exchange rates. All differences are taken to the other comprehensive income or loss.

The exchange rates used to translate amounts in CAD into USD for the purposes of preparing the consolidated financial statements were as follows:

	Balance Sheets:	
	April 30, 2017	April 30, 2016
Period-end CAD: USD exchange rate	\$ 0.732091	\$ 0.796457
	Statements of Operations:	
	April 30, 2017	April 30, 2016
Average Yearly CAD: USD exchange rate	\$ 0.758864	\$ 0.761472

#### Revenue recognition

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Partnership and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues are measured at the fair value of the consideration received less any trade discounts, volume rebates and returns.

Following are the specific revenue recognition criteria which must be met before revenue is recognized:

- Lift revenue is derived from a wide variety of sources, including sale of lift tickets and season passes, and is recognized as services are performed. The Partnership records deferred revenue related to sale of season ski passes. The majority of season passes is sold from March 15 to April 30 each year for the following ski season and is recognized in the first month of the new fiscal year. Season pass revenues received from May 1 to March 15 are recognized when received.
- Retail and rental revenue is derived from retail sales and equipment rentals business and is recognized as products are delivered or services are performed.
- Property management revenue is derived from providing reservations and property management services for the privately owned condominium rental units and is recognized as services are performed.
- Food and beverage revenue is derived from sale of food and beverage from three Partnership-owned restaurants and is recognized as products are delivered or services are performed.

- Real estate revenue primarily includes the sale of condominium units and land parcels and is recorded primarily using the full accrual method and occurs only upon the following: (i) substantial completion of the entire development project, (ii) receipt of certificates of occupancy or temporary certificates of occupancy from local governmental agencies, if applicable, (iii) closing of the sales transaction including receipt of all, or substantially all, sales proceeds (including any deposits previously received) and (iv) transfer of ownership.
- Other revenue primary includes ski school operations, KinderCare, locker rental, other on-mountain activities.

#### Advertising Expense

The Partnership expenses marketing, promotions and advertising costs as incurred. Such costs are included in selling and marketing expense in the accompanying consolidated statements of operations. Advertising costs were \$ 23,635 and \$ 26,955 for the years ended April 30, 2017 and 2016, respectively.

#### New standards, amendments and interpretations not yet adopted

The IASB and IFRIC have issued the following standards and with an effective date after the date of the financial statements and have not been applied in preparing these consolidated financial statements.

IFRS 15 – “Revenue from Contracts with Customers” - early adoption. As this is the first period of financial reporting for the group, management took the decision to adopt IFRS 15 early as it represented a major development in the recognition of revenue under International Financial Reporting Standards. Compared to IAS 18, Revenue and IAS 11, Construction Contracts and related interpretations, there was no material difference adopting IFRS 15 early. The standard is effective for annual periods beginning on or after January 1, 2017.

IFRS 16 Leases-IFRS 16 specifies how a Partnership will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 will be applicable to annual reporting periods beginning on or after 1 January 2019.

Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Partnership.

#### Comprehensive income

Comprehensive income is defined as the change in equity resulting from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from consolidated net earnings.

### **NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Partnership makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience

and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical assumptions in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

### Taxation

The Limited Partnership accounts for income taxes in accordance with International Accounting Standard 12, Income Taxes (“IAS 12”).

- Partnership

Partnership income, losses, assets, and liabilities are all attributable to the partners. As per the Canada Income Tax Act, partnerships do not file separate tax returns. The partnerships file annual “information returns” setting out their income and details of the partners who are entitled to that income. It is the partners who are required to pay income tax. The limited partnership is simply a flow-through entity. So: the net income of the partners (for income tax purposes) of a limited partnership is determined by figuring out the net income of the limited partnership.

To figure out the net income of the limited partnership, the Act states that it is treated as if it were a separate legal person: s. 96(1)(a). So first include income and deduct allowable expenses and other credits. Then, the limited partnership’s income will be attributed to the partners (usually as per the limited partnership agreement). Each partner must report their income or losses from the partnership and pay taxes accordingly: s. 96(1)(f).

- Corporations

The Partnership owns a number of entities that are Corporation for tax purposes:

For such Corporations: Income tax expense is comprised of current and deferred income taxes. Current and deferred income taxes are recognized in profit and loss, except for income taxes relating to items recognized directly in equity or other comprehensive income.

Current income tax, if any, is the expected amount payable or receivable on the taxable income or loss for the period, calculated in accordance with applicable taxation laws and regulations, using income tax rates enacted or substantively enacted at the end of the reporting period and any adjustments to amounts payable or receivable relating to prior years.

Deferred income taxes are provided using the liability method based on temporary differences arising between the income tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using income tax rates and income tax laws and regulations that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income taxes are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxing authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The Partnership did not record any Corporation related Current or Deferred income tax, since by tax law it does not flow through to the Partnership level.

#### Fair Value of Financial Instruments

The Partnership measures its financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. Additionally, the Partnership is required to provide disclosure and categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value while Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

Level 1 – Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 – Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management’s best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The recorded amounts for cash and cash equivalents, receivables, other current assets and accounts payable and accrued liabilities approximate fair value due to their short-term nature.

#### **NOTE 4 – CASH AND CASH EQUIVALENTS**

	<u>April 30, 2017</u>	<u>April 30, 2016</u>
Cash in bank and on hand	\$ 844,859	\$ 1,173,929
Bank deposits for periods of three months or less	67,719	73,672
<b>Total cash and cash equivalents</b>	<b><u>\$ 912,578</u></b>	<b><u>\$ 1,247,601</u></b>

#### **NOTE 5 – ACCOUNTS RECEIVABLE**

Accounts receivable, net of allowances for sales returns and doubtful accounts, consisted of the following:

	<u>April 30, 2017</u>	<u>April 30, 2016</u>
Trade accounts receivables	\$ 21,799	\$ 3,311
Other receivables	310,871	27,493
Related party receivable	-	11,430
Less allowances	(-)	(-)
<b>Total accounts receivable, net</b>	<b><u>\$ 332,670</u></b>	<b><u>\$ 42,234</u></b>

During the years ended April 30, 2017 and 2016, the Partnership charged \$0 and \$0, respectively to bad debt expense in setting up an allowance.

## NOTE 6 – INVENTORY

Inventory consists primarily of purchased retail goods, food and beverage items and rental equipment. The Partnership's inventory is stated at the lower of cost or net realizable value, determined using primarily an average weighted cost method. The carrying value of inventory consisted of the following:

	<u>April 30, 2017</u>	<u>April 30, 2016</u>
Retail goods	\$ 93,346	\$ 92,927
Food and beverage items	36,791	32,676
Rental equipment	106,508	98,311
<b>Total inventory</b>	<b><u>\$ 236,645</u></b>	<b><u>\$ 223,914</u></b>

## NOTE 7 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

At April 30, 2017 and 2016, prepaid expenses consisted of the following:

	<u>April 30, 2017</u>	<u>April 30, 2016</u>
Prepaid expenses	\$ 137,135	\$ 33,225
Deposits	5,563	6,053
<b>Total</b>	<b><u>\$ 142,698</u></b>	<b><u>\$ 39,278</u></b>

## NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment's cost and accumulated depreciation consist of the following

	Cost	Land	Building	Ski runs and lifts	Fixtures and equipment	Total	Depreciation	NBV
At April 30, 2015		\$427,382	\$3,997,405	\$8,400,872	\$2,006,871	\$14,832,530	\$(4,529,311)	-
Additions		-	78,465	854,160	207,621	1,140,246	(694,421)	-
FX translation		(17,255)	(161,386)	(339,167)	(81,023)	(598,831)	182,861	-
At April 30, 2016		<b>410,127</b>	<b>3,914,484</b>	<b>8,915,865</b>	<b>2,133,469</b>	<b>15,373,945</b>	<b>(5,040,871)</b>	<b>\$10,333,075</b>
Additions		-	14,369	257,135	13,068	284,572	(630,813)	-
FX translation		(33,145)	(316,351)	(720,539)	(172,417)	(1,242,452)	407,380	-
At April 30, 2017		<b>\$376,982</b>	<b>\$3,612,502</b>	<b>\$8,452,461</b>	<b>\$1,974,120</b>	<b>\$14,416,065</b>	<b>\$(5,264,304)</b>	<b>\$9,151,761</b>

Included above are assets held under finance leases or capital leases contracts as follows:

<b>Net book values</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b><u>\$ 295,095</u></b>	<b><u>\$ 322,365</u></b>
<b>Depreciation charge for the year</b>	<b><u>\$ 66,882</u></b>	<b><u>\$ 67,094</u></b>

Management of the Partnership has reviewed its fixed assets for impairment as at April 30, 2017 and 2016 and has concluded that no events or changes in circumstances have occurred that would indicate the carrying value of its fixed assets would not be recoverable.

## NOTE 9 – PROPERTY UNDER DEVELOPMENT

Property under development includes costs directly related to construction and carrying charges during construction such as interest and property taxes. Development costs are applied against sale proceeds on a square footage basis. The acquisition of the Partnership in 2004 resulted in goodwill of approximately of approximately \$4.3 million. Substantially all of the goodwill was attributed to the value of the real estate associated with the acquisition. As such, goodwill has been allocated to land development costs since inception and has been amortized on a pro rata basis as cost of sales related to sales of real estate. The balance of goodwill attributed to land and development costs were approximately \$3.1 million and \$3.1 million as of April 30, 2017 and 2016, respectively.

## NOTE 10 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of April 30, 2017 and 2016, accounts payable and accrued expenses consisted of the following:

	<u>2017</u>	<u>2016</u>
Trade payables	\$ 256,528	\$ 292,980
Accrued payroll	61,175,	33,322
Accrued tax	98,870	81,752
Others	220,337	259,254
<b>Total</b>	<b><u>\$ 636,910</u></b>	<b><u>\$ 667,308</u></b>

## NOTE 11 – DEFERRED REVENUE

As of April 30, 2017 and 2016, deferred revenue consisted of the following:

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	\$ 1,140,302	\$ 585,916
Received during the year	-	578,041
Amortized during the year	(26,158)	-
Foreign currency translation	(92,154)	(23,655)
Balance at the end of the year	<b><u>\$ 1,021,990</u></b>	<b><u>\$ 1,140,302</u></b>

## NOTE 12 – DEBT

The Partnership debt at April 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Convertible debt (a)	\$ 25,626,394	\$ 23,785,597
Other long-term debt (b)	3,126,309	3,493,045
Total	28,752,703	27,278,642
Less: Current portion	-	-
Long-term portion	<b><u>\$ 28,752,703</u></b>	<b><u>\$ 27,278,642</u></b>

- (a) The convertible debt was obtained for the purpose of operation and development of the ski resort. The debt bears interest at 8% to 10% per annum, calculated and accrued annually and payable at maturity. All outstanding amounts under the facility are payable on April 18, 2019. The lender may convert the debt to Class C unit of Red Mountain Ventures Limited Partnership at the conversion price of \$ CAD 8.86 (US \$ 6.71) per Class C Unit. The convertible debt is secured by a first, fixed mortgage over all lands owned by the borrowers and by a general security interest over all property of the Partnership and related parties.

The Partnership's convertible debt is denominated in both Canadian and US Dollars. Amounts denominated in US Dollars are converted to Canadian Dollars at the exchange rate in effect at the end of the year. See Note 18 regarding subsequent conversion of convertible debt on June 30, 2017.

- (b) Other long-term debt includes the following. The balance includes the outstanding principal and accrued interest.

	<u>2017</u>	<u>2016</u>
Western Economic Diversification, \$732,091 (CAD \$1,000,000), March 31, 2019	\$ 470,029	\$ 562,471
Community Future Development Corp, \$292,836 (CAD \$400,000), June 21, 2020, 6.7%	328,026	357,338
Community Future Development Corp, \$1,098,137 (CAD \$1,500,000), April 15, 2023, 6.7%	1,141,561	1,238,147
Community Future Development Corp, \$ 878,509 (CAD \$1,200,000), July 1, 2024, 6.7%	1,109,477	1,204,252
Community Future Development Corp, \$51,246 (CAD \$70,000), June 29, 2025, 6.7%	36,561	43,447
Community Future Development Corp, \$292, 836 (CAD \$400,000), July 1, 2021, 6.7%	40,655	87,390
Total	<u>3,126,309</u>	<u>3,493,045</u>
Less: Current portion	-	-
Long-term portion	<u>\$ 3,126,309</u>	<u>\$ 3,493,045</u>

The interest expenses for the debts were approximately \$3,761,000 and \$2,609,000 for the year ended April 30, 2017 and 2016, respectively.

#### NOTE 13 – FINANCE LEASE

The Partnership's finance lease at April 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
TechnoAlpin-V3 lance	\$ -	\$ 54,727
TechnoAlpin-2xT40 snow guns	37,485	43,920
TechnoAlpin-4xT40 snow guns	29,008	83,977
Stikum-Server	14,014	26,542
Stikum-Phone system	10,856	15,800
Total	<u>91,363</u>	<u>224,966</u>
Less: Current portion	(66,493)	-
Long-term portion	<u>\$ 24,870</u>	<u>\$ 224,966</u>

The interest expenses for the finance lease were approximately \$15,000 and \$17,000 for the year ended April 30, 2017 and 2016, respectively.

#### NOTE 14- TAXATION

No deferred tax asset in respect of corporation level tax losses has been recognized given the uncertainty over the timing of future profits against which they can be offset. Partnership management believes it is more likely than not that any such losses will not be recognized by the Partnership. As of April 30, 2017, if the Partnership had recorded a future benefit for income taxes, the amount would have totaled approximately \$5.4 million.

## **NOTE 15 – RELATED PARTY TRANSACTIONS**

Value Power, the Partnership's largest unit holder is 63.1% owned by the Juice Trust to which the Partnership has issued convertible debt in the amount of approximately \$22,177,000 and \$20,530,000 at April 30, 2017 and 2016, respectively. As of June 30, 2017, all of the Juice Trust convertible debt has been converted to equity.

## **NOTE 16 - COMMITMENTS AND CONTINGENCIES**

### Litigation

Management of the Partnership is currently not aware of any legal proceedings that management believes will have, individually or in the aggregate, a material adverse effect on the Partnership's business, financial condition or operating results.

The Partnership is involved in two lawsuits as plaintiffs. In the first lawsuit, the Partnership filed claims against the manufacturer of the Grey Mountain Chairlift and certain parties involved in the installation of the chairlift, for alleged faulty engineering and installation that required significant reconstruction and repairs in 2015. The Partnership also has filed a construction defect lawsuit against the contractor and certain other parties involved in constructing a retaining wall on the property. Management of the Partnership does not view either of these lawsuits as material to the Partnership's business, financial condition or operating results.

## **NOTE 17 – PARTNERSHIP CAPITAL**

The issued capital of the Partnership as of April 30, 2017 was 1,423,608 class A units and 1,693,250 class B units. As of April 30, 2017, no Class C units were issued. On June 29, 2017, the Partnership Agreement governing the Partnership was amended to create Class D units and Class C2 units.

The class A unit holders do not receive any preferential distribution or profit and loss allocations.

Subject to prior right to return of capital and preferential distribution of the Class D, C and C2 units, the Class B unit holders will receive distributions on a pro rata basis until each has received an amount equal to 100% of its capital contribution. Class B units holders are also entitled to the first right of refusal for any new issuances of class B units.

## **NOTE 18- OPERATING LEASE**

The Partnership entered into lease contracts with Britco for the lease of temporary buildings. The contracts are for 12 months and renew annually. Operating lease expenses were \$ 235,695 and \$ 276,907 for the years ended April 30, 2017 and 2016, respectively. There are no minimum payments for the contracts.

## **NOTE 19 – EVENTS AFTER THE REPORTING PERIOD**

Effective on June 30, 2017, the total outstanding principal balance of the Juice Trust convertible debt and promissory notes and the Woods Family Trust convertible debt of approximately \$17 million in the aggregate owed by RMR to such lenders was converted by the lenders to Class C units of the Partnership at conversion price of CAD \$ 8.86 (USD \$ 6.71) per Class C unit. Class C2 units were also issued to the Juice Trust and the Woods Family Trust at that time. The Class C and C2 units are subordinate in priority to Class D units in respect of repayment of capital.

The Partnership is engaging in an offering pursuant to Canadian securities laws and under Regulation A of the United States Securities Act of 1933, of up to 1,000,000 Class D Units of the Partnership for USD \$ 10.00 (US investors) CAD \$10.00 (Canadian investors) per Class D Unit. The maximum amount that may be raised in the aggregate, in this offerings, is CDN\$10,000,000 (US \$8,000,000).



Management evaluated all activities of the Partnership through the issuance date of the Partnership's consolidated financial statements and concluded that no other subsequent events have occurred that would require adjustments or disclosures into the consolidated financial statements.

**ITEM 13  
DATE AND CERTIFICATE**

Dated: August 12, 2017

This Offering Memorandum does not contain a misrepresentation.

**RED MOUNTAIN VENTURES LIMITED PARTNERSHIP**

by its General Partner  
**RED MOUNTAIN VENTURES G.P. LTD.**

*“Howard I. Katkov” (signed)*  
**HOWARD I. KATKOV**  
Chief Executive Officer

*“Kevin Magnall” (signed)*  
**KEVIN MAGNALL**  
Chief Financial Officer

*“Donald J. Thompson” (signed)*  
**DONALD J. THOMPSON**  
Director

*“Jeff Busby” (signed)*  
**JEFF BUSBY**  
Director