This offering memorandum ("Offering Memorandum") has been prepared solely for the purpose of assisting prospective purchasers in making an investment decision with respect to units ("Units") of the Romspen Mortgage Investment Fund (the "Fund"). The Units are offered for sale only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a public offering or advertisement of Units. No securities commission or similar regulatory authority has passed on the merits of the Units or reviewed this Offering Memorandum and any representation to the contrary is an offence. The Units do not trade on any exchange or market. Subject to the availability of exemptions from the prospectus requirements under applicable securities laws, holders of Units will be restricted from selling their Units for an indefinite period. Holders of Units will have certain redemption rights. See Description of Units - Unitholder Redemption Rights.

The Units have not been registered under the Securities Act of 1933 (United States), as amended (the "U.S. Securities Act"). Prospective purchasers of Units resident in the United States agree, for the benefit of the Fund, that Units may be offered, sold or otherwise transferred only (a) to the Fund; (b) outside the United States in accordance with Rule 904 of regulations under the U.S. Securities Act; (c) in accordance with the exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder, if available, and in compliance with any applicable state securities laws; or (d) in a transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws, and, in the case of (c) or (d), the Fund receives an opinion of counsel of recognized standing in form and substance satisfactory to the Fund to such effect.

OFFERING MEMORANDUM

July 1, 2013

R O M S P E N
mortgage investment fund

Up to $500,000,000 (50,000,000 Units)

PRICE: $10.00 per Unit

Minimum Subscription: $150,000 (15,000 Units) subject to compliance with applicable securities laws

The Fund is offering, on a private placement basis, a maximum of 50,000,000 Units at a price of $10.00 per Unit (the "Offering"). Each Unit represents an undivided beneficial interest in the assets of the Fund, which will principally be comprised of indirect interests in Mortgages. See Fund.

The Offering is being made in reliance on certain exemptions to the prospectus requirements under the applicable securities laws of Ontario, Quebec, Nova Scotia, New Brunswick, Manitoba, Saskatchewan, Alberta and British Columbia (collectively, the "Offering Provinces") and of the United States (together with the Offering Provinces, the "Offering Jurisdictions"). As a result, the Units will be subject to the applicable resale restrictions under the said laws. The Fund has engaged Romspen Investment Corporation ("RIC"), in its capacity as an exempt market dealer, to coordinate all aspects of the sale of Units. See Offering.

The Fund is a "connected issuer" of RIC as such term is defined in National Instrument 33-105 – Underwriting Conflicts. RIC is entitled to appoint at least a majority of the Trustees of the Fund and currently all of the Trustees of the Fund and the officer and director of the General Partner are directors, officers and employees of RIC. For additional information, please see the headings Offering – Connected Issuer and Conflicts of Interest. There are certain risk factors inherent in an investment in the Units and in the activities of the Fund. See Risk Factors.
The Fund is an unincorporated closed-end investment trust established under the laws of Ontario pursuant to a declaration of trust dated as of May 20, 2005, as amended (the “Declaration of Trust”). The Fund commenced operations on January 16, 2006. The Fund is the sole limited partner in the Romspen Mortgage Limited Partnership (the “Partnership”). The net proceeds of the Offering will be used by the Fund to subscribe for units in the Partnership thus providing the Partnership with capital to acquire and hold whole, partial, direct or indirect interest in Mortgages. The objectives of the Partnership are to provide its limited partner (and ultimately the Unitholders) with stable and secure cash distributions from the Partnership's investments in Mortgages and related investments in market segments which are under-serviced by large financial service providers; and to obtain superior yields and maximize distributions through the efficient management of the Partnership's Mortgage investments in such market segments. The Partnership is a non-bank provider of real estate finance. The Fund makes monthly cash distributions to Unitholders from monies received from the Partnership and in the ordinary course distributes all of the Distributable Cash of the Fund calculated as described under Distribution Policy. It is important for Subscribers to consider risk factors that may affect the commercial mortgage market generally and therefore the stability of distributions to Unitholders. Subscribers are urged to read the Risk Factors section of this Offering Memorandum for a more complete discussion of these risks and their potential consequences and to review these risks with their professional advisors.

The Fund is not a trust company and does not carry on business as a trust company and, accordingly, the Fund is not registered under applicable legislation governing trust companies in any jurisdiction. The Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under that Act or any other legislation.

The price of the Units offered hereby was established by the Trustees. There are certain risk factors inherent in an investment in the Units and in the activities of the Fund, including the possibility of Unitholder liability. See Risk Factors.

Subscriptions will be received if, as and when accepted, subject to prior sale and satisfaction of the conditions set forth under Subscription Procedure and to the right of the Trustees to close the subscription books at any time without notice. Closings will be held from time to time as determined by the Trustees. Subscribers will have two Business Days to cancel their agreement to purchase Units. If there is a misrepresentation in this Offering Memorandum, Subscribers will have the right to sue either for damages or to cancel their agreement to purchase Units. See Subscription Procedures and Rights of Action for Damages or Rescission.

DISCLAIMERS

This Offering Memorandum does not constitute, and may not be used for or in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized, or to any person to whom it is unlawful to make such an offer or solicitation. You are directed to inform yourself of and observe such restrictions and all legal requirements of your jurisdiction of residence in respect of the acquisition, holding and disposition of the Units offered hereby.

Subscribers should thoroughly review this Offering Memorandum and are advised to consult with their professional advisors to assess the business, legal, income tax and other aspects of this investment.

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

This is a summary only and is qualified by the information appearing elsewhere in this Offering Memorandum. Capitalized terms appearing herein and not otherwise defined have the respective meanings ascribed thereto in the Definitions section or elsewhere in this Offering Memorandum. Unless otherwise indicated, all references to dollar amounts in this Offering Memorandum are to Canadian dollars.

Significant Parties

Fund
Romspen Mortgage Investment Fund is an unincorporated closed-end investment trust created by the Declaration of Trust. The Fund commenced operations on January 16, 2006. The head office of the Fund is located at: 162 Cumberland Street, Suite 300, Toronto, Ontario, M5R 3N5.

Trustees
The Trustees of the Fund are Sheldon C. Esbin, Chairman of the Board of Trustees, Mark L. Hilson, Vice President, Arthur E. Resnick, Vice President and Wesley N. Roitman, Vice President. Each Trustee is an individual resident of Ontario.

Partnership
Romspen Mortgage Limited Partnership is a limited partnership formed under the laws of Ontario as of May 20, 2005. The Partnership is a provider of real estate finance, the sole limited partner of which is the Fund. In the ordinary course, the Fund makes monthly cash distributions to Unitholders from monies received from the Partnership.

General Partner
Romspen Fund GP Inc. (the "General Partner"), an Ontario corporation, is the general partner of the Partnership. All of the issued and outstanding shares of the General Partner are owned by Romspen Holdings Inc., an Affiliate of RIC. Blake Cassidy, an individual resident in the Province of Ontario and an employee of RIC, is the President and the sole director of the General Partner. Joel Mickelson, an individual resident in the Province of Ontario and an employee of RIC, is the Secretary of the General Partner. The General Partner is responsible for management of the business of the Partnership.

RIC
Romspen Investment Corporation, an Ontario corporation, is the mortgage originator for the Partnership and the agent for the Fund. RIC is a registered mortgage brokerage and mortgage administrator in Ontario, a registered mortgage broker in British Columbia and a registered mortgage broker in Alberta. RIC, in its capacity as a mortgage broker, provides Mortgage Origination Services to the Partnership pursuant to the Mortgage Origination and Capital Raising Agreement. RIC is also a registered exempt market dealer in each of the Offering Provinces. RIC, in its capacity as an exempt market dealer, provides Capital Raising Services to the Fund pursuant to the Mortgage Origination and Capital Raising Agreement.

Offering

Offering
Units in the Fund.

Offering Size
The minimum number of Units offered is 15,000. The maximum number of Units offered is 50,000,000.

Price
$10.00 per Unit.
Attributes of Units

The Units represent the beneficial ownership interests of the holders thereof in the Fund. Each Unit carries one vote at meetings of Unitholders and a holder thereof is entitled to distributions as described under Distribution Policy.

Use of Proceeds

All proceeds from the Offering (after deducting the costs of issue) will be used by the Partnership to acquire Authorized Investments.

Payment Terms

Subscribers may subscribe for Units in the Offering by delivering (i) an executed subscription agreement in the form approved by the Trustees from time to time, and (ii) payment to the Fund in the amount of the subscription price for the Units by way of cheques, bank draft, wire transfer or irrevocable direction to a financial institution to deliver to the Fund full payment for the Units upon delivery of evidence of ownership of such Units to the financial institution.

Strategy and Business of the Partnership

The Partnership invests in Authorized Investments in furtherance of its objectives of preserving capital and providing its sole limited partner, the Fund, with stable and secure cash distributions.

Investment and Operating Policies of the Partnership

Investment Policies

The Partnership Agreement establishes certain policies and restrictions on investments that the Partnership may make including:

● 100% of the Partnership Capital may be invested in, among other things, First Mortgages, Insured Mortgages and/or Related Investments;

● no more than 20% of the Partnership Capital may be invested in Subordinate Mortgages; collateral mortgages in second position will not be included in determining the Partnership's allowable investment in Subordinate Mortgages;

● the Partnership may assign all or a portion of a Mortgage or Mortgages held by it (the "Assigned Portion") to one or more arms length third party lenders (the "Assignee Lender(s)") for value provided that: (i) if a portion of such Mortgage or Mortgage(s) (the "Retained Portion") is retained by the Partnership, the Partnership may enter into an agreement with the Assignee Lender(s) as to relative ranking of the Assigned Portion and the Retained Portion; and (ii) if the Retained Portion is subordinate to the Assigned Portion, the Retained Portion will be considered a Subordinate Mortgage and therefore subject to the 20% threshold referenced above;

● no more than 30% of Partnership Capital may be invested in Commercial Mortgage Backed Securities (the Partnership has no present intention to invest any of the Partnership Capital in Commercial Mortgage Backed Securities);

● no more than 10% of the Partnership Capital may be invested in any single Mortgage;

● the Partnership may not make an investment in, or acquisition of, a Mortgage with a single borrower, if the aggregate of the book value of such investment and the book value of the Partnership's mortgages, loans or investments already provided to or with such single borrower would exceed 10% of the Partnership Capital;

● when not invested in other Authorized Investments the Partnership Capital will be placed in Authorized Interim Investments;
the Partnership may participate in Authorized Investments on a syndicated basis with others, including Affiliates and Associates of RIC and their Affiliates and Associates (see Declaration of Trust – Conflict of Interest Restrictions and Provisions for Trustees), subject to the approvals otherwise required in connection with its investments; and

notwithstanding any limits stated herein, for risk management purposes only, the Partnership may increase a given investment to more than 10% of the Partnership Capital in order to remedy the default by a borrower of its obligations in respect of a prior ranking security or satisfy the indebtedness secured by a prior ranking security or for any other reason if such action is required to protect the Partnership's investment and if such proposed increase in the Partnership's investment is approved by the General Partner.

In addition to the policies and restrictions on investment set out in the Partnership Agreement, the Partnership also adheres to the following guidelines regarding investments that the Partnership makes:

- investment of Partnership Capital in Authorized Investments in the U.S. is limited to approximately 20%; and
- U.S. dollar-denominated Authorized Investments shall be reviewed on a quarterly basis for the purposes of determining and implementing prudent Canadian dollar hedging strategies. A minimum of two-thirds of the Fund's U.S. dollar-denominated Authorized Investments will be hedged at all times to mitigate the negative impact of foreign exchange fluctuations on Fund income. Generally, this will be accomplished through a combination of: (i) specific hedging provisions contained in loan agreements which transfer foreign exchange exposure to the borrower; or (ii) conventional hedging strategies, such as forward contracts or swap arrangements, executed through the Partnership's bank facility.

The Fund will offer Units from time to time only if the receipt of the proceeds of such offering by the Partnership does not impair: (i) the investment policies specified above; (ii) the Partnership's investment objectives with respect to the Mortgages; or (iii) the Partnership's expected return from its investment in and management of the Mortgages.

**Operating Policies**

The Partnership Agreement provides that the operations and affairs of the Partnership are required to be conducted in accordance with the following operating policies:

- the Partnership may borrow funds on commercially reasonable terms subject to the limitation previously described, to acquire or invest in specific Authorized Investments;
- when making an investment in, or an acquisition of, a Mortgage or other Authorized Investment, the General Partner may, in its sole discretion, but will not be obliged to, obtain or review an independent appraisal from a Qualified Appraiser of, and/or a Phase I Environmental Audit on, the underlying Real Property which is the primary security for the Mortgage or other Authorized Investment, and may or may not obtain additional independent appraisals or audits of the underlying property or any additional collateral and other properties securing the Mortgage or other Authorized Investment;
- in addition, in its sole discretion and in satisfaction of the requirements of the immediately preceding paragraph, the General Partner may rely upon an independent appraisal from a Qualified Appraiser and/or a Phase I Environmental Audit in respect of the subject property that has been provided to the Partnership by the borrower;
- approval of an investment or acquisition must be in writing and must be signed by the authorized persons required to approve such investment or acquisition in accordance with the Partnership Agreement;
when deemed necessary by the General Partner, the Partnership will, where appropriate, establish and manage property tax escrow accounts in respect of the Real Property provided as security for the Partnership's Mortgage investments, if any;

the legal title to each Authorized Investment may be held by and registered in the name of the General Partner or a corporation or other entity that is an Affiliate, Associate or subsidiary of the General Partner or its subsidiaries, Associates or Affiliates. Where the Partnership's interest is held in trust, the trust arrangements must be approved by the General Partner. Where the legal title to an Authorized Investment is held by and registered in the name of an entity wholly-owned by, or Affiliated or Associated with, the General Partner, or in the name of a person or persons in trust for the Partnership, such entity may hold legal title to such Authorized Investment on behalf of other beneficial owners of such Authorized Investment; and

the appraised value relied upon for purposes of making a Mortgage investment need not be on an "as is" basis and may be based on stated conditions, including without limitation, completion, rehabilitation, sale or lease-up of improvements located on the Real Property.

The Partnership, supported by the Fund pledging all of its interests in the Partnership, maintains a revolving syndicated loan facility with a Schedule I Bank, as administrative agent, in the maximum amount of $150 million, approximately $125 million of which is available as at June 30, 2013. Select information regarding the facility will be disclosed in the Quarterly Report. The Partnership uses the facility to take investment positions in Eligible Mortgages acquired by the Partnership directly or by participating beneficial interest at times when funds are not immediately available from other sources (such as subscription proceeds from the Fund).

See Investment and Operating Policies of the Partnership.

**Mortgage Portfolio**

The Mortgage Portfolio consists of Mortgages, or interests therein, secured by a range of properties and reflects, among other things, the following characteristics, some of which are included among the Partnership’s investment policies:

- a majority of Mortgage investments are less than, or have a funding cap of less than, $50 million, with a larger concentration of Mortgage investments being between $5 million and $15 million;
- payment schedules consist primarily of interest only;
- Mortgages are generally written for terms of two years or less;
- Mortgage investments are secured by Real Property located in Canada and, to a lesser extent, in the U.S., are denominated in Canadian dollars and U.S. dollars respectively; and
- Mortgages are syndicated where it is deemed appropriate.

The Mortgage Portfolio is originated and underwritten by RIC.

As at June 30, 2013:

- the Mortgage Portfolio consisted of 142 Mortgages with a combined balance, net of fair value provisions, of approximately $1,039.9 million (approximately 87% attributable to Canadian Mortgages and approximately 13% attributable to U.S. Mortgages); and
- approximately 94% of the Mortgage Portfolio consisted of First Mortgages and approximately 6% of the Mortgage Portfolio consisted of Subordinate Mortgages;
• approximately 74% of the Mortgage Portfolio matures within one year and an additional 24% matures within two years; and

• the weighted average interest rate of Mortgages in the Mortgage Portfolio was 10.5%.

Select Mortgage Portfolio statistics will be updated and disclosed in the Quarterly Report.

Industry Overview

The Commercial Mortgage market in North America is segmented into tiers that reflect the desirability of Commercial Mortgages as tier-one, mid-tier or other by large lending institutions. Several business and project specific factors influence this segmentation. The business factors vary from time to time and by region amongst the large lending institutions and include geographical preferences and concentration issues, other business objectives, relationships with borrowers, risk tolerance, cost of funds, size of Mortgages, and other financial criteria inherent to each individual lender. Project specific factors include the stage of project development, borrower profile and experience, market factors, the amount of borrower equity, levels of presales and/or pre-leasing, existence of mortgage insurance and clarity of exit and repayment strategies. These factors, when ranked by each lender, determine the tiered structure of the industry and the pricing and availability of capital to borrowers throughout the market place. As such, it is quite common to have similar projects considered as either tier-one and/or mid-tier by different lenders and to have the same project evolve from a lower-tier to a tier-one ranking project and for it to attract new and different lenders as the project moves through the various development stages of land acquisition, predevelopment, infrastructure, construction, and finally the selling cycle. As a result, in North America's most populated cities, major institutions, banks and trust companies compete for the tier-one, high volume, secured or insurable loan opportunities with an oversupply of capital to opportunities. In all other markets, there exists a near constant imbalance of capital to demand for Commercial Mortgage funds for mid-tier development and construction projects. In these markets, RIC and other private lenders compete for lower volume, development and construction loan opportunities with a usual oversupply of opportunities to appropriately priced capital. The segments between tiers are known as shoulder markets.

Other Matters

Risk Factors

An investment in Units involves significant material risks that prospective Subscribers should consider before making an investment decision or a decision to participate. Prospective Subscribers who are not willing to accept these risks should not proceed with an investment in Units. Prospective Subscribers are urged to read the Risk Factors section of this Offering Memorandum and to review these risks with their professional advisors.

Certain Canadian Income Tax Considerations

The income tax summary contained herein addresses the principal Canadian federal income tax considerations of an investment in Units ("Tax Commentary"). Subscribers are cautioned that the Tax Commentary is a general summary only and does not constitute tax advice to any particular Subscriber. The Tax Commentary identifies certain tax risks and contains assumptions, limitations, qualifications and caveats. Prospective Subscribers should review these risks, assumptions, limitations and caveats with their professional tax advisors and reach their own conclusion as to the merits and likely tax consequences of an investment in Units.

Rights of Action

Securities legislation in certain of the Provinces of Canada where the Units are being offered provide or require that Subscribers be provided with, in addition to any rights they may have at law or equity, statutory or contractual rights of rescission or rights to damages, or both. In general, these rights are available where an offering memorandum or any amendment to it (or advertising or sales literature in respect of Subscribers in Nova Scotia, or New Brunswick) contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary to make any statement in it not misleading in light of the circumstances in which the statement was made.
However, the Subscriber must exercise such rights within the prescribed time limits. See Rights of Action for Damages or Rescission.

**Forward-Looking Statements**

Prospective Subscribers should be aware that certain statements used herein, including, without limitation, sensitivity analyses, analyses of market trend, trends in revenue and anticipated expense levels as well as other statements about anticipated future events or results, are forward-looking statements. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. The forward-looking statements that are contained herein involve a number of risks and uncertainties. Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual events or results might differ materially from events or results projected or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading Risk Factors. Additional information regarding these factors and other important factors that could cause actual events or results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements made by the Partnership are qualified in their entirety by reference to the important factors discussed in Risk Factors and to those that may be discussed as part of particular forward-looking statements. Neither the Partnership nor the General Partner intends, and do not assume any obligations, to update these forward-looking statements.
DEFINITIONS

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

"Affiliate" has the meaning ascribed thereto in the Ontario Act.

"Annuitant" means an annuitant under a Registered Plan of which a Unitholder acts as a trustee or carrier.

"Associate" has the meaning ascribed thereto in the Ontario Act.

"Authorized Investments" means, among other things, Mortgages, Authorized Interim Investments, Related Investments, Workout Investments or the acquiring, holding, maintaining, improving, leasing or managing of any Real Property or an interest in Real Property where determined necessary or desirable, in the General Partner's sole discretion, to preserve, protect or enhance the Partnership or its assets.

"Authorized Interim Investments" means, among other things, investments guaranteed by the Government of Canada or of a province or territory of Canada, cash deposits in or receipts, deposit notes, certificates of deposits, acceptances and other similar instruments issued, endorsed or guaranteed by a Schedule I Bank or a Schedule II Bank and CMHC insured Residential Mortgages

"Board of Trustees" means the board of Trustees of the Fund.

"Business Day" means a day other than a Saturday, Sunday or any day on which the Schedule I Banks located in Toronto, Ontario are not open for business during normal banking hours.

"Capital Raising Services" means the services provided to the Fund by RIC pursuant to the Mortgage Origination and Capital Raising Agreement.

"Closing" means each closing of the Offering.

"CMHC" means the Canada Mortgage and Housing Corporation, a Canadian federal crown corporation providing mortgage insurance and federal social housing funding, housing information and support for the export of Canadian housing products.

"Commercial Mortgages" means Mortgages granted as security for loans given in respect of properties, land developments and construction projects which have retail, commercial, service, office and/or industrial uses.

"Commercial Mortgage Backed Securities" means bonds or other financial obligations secured by a pool of Mortgages, no less than two thirds of which are Conventional First Mortgages at the time of the investment.

"Construction Mortgages" means Mortgages granted as security for loans which are advanced against stipulated budgets for multi-family residential and commercial, retail, service, office and/or industrial use projects.

"Conventional First Mortgage" means a First Mortgage for which the principal amount, at the time of commitment, does not exceed the lower of 75% of the purchase price of the underlying Real Property securing the Mortgage and 75% of the value of the underlying Real Property securing the Mortgage plus any collateral security.

"Conventional Mortgage" means a Conventional First Mortgage and/or a Conventional Second Mortgage.

"Conventional Second Mortgage" means a Second Mortgage for which the principal amount, at the time of commitment, together with the principal balance outstanding on the First Mortgage on the same Real Property secured by such Second Mortgage, does not exceed the lower of 75% of the purchase price of the underlying Real Property securing the Mortgage and 75% of the value of the underlying Real Property securing the Mortgage.

"CRA" means Canada Revenue Agency.
"Declaration of Trust" means the declaration of trust of the Fund dated as of May 20, 2005, governed by the laws of Ontario, pursuant to which the Fund was created, as amended, supplemented or amended and restated from time to time.

"Distributable Cash" means the amount of available cash collected to be distributed by the Fund, calculated as set out under Distribution Policy.

"Distribution Date" means the date on or about the 15th day of each calendar month.

"Distribution Record Date" in respect of the Fund, means the last day of each calendar month, or such other date or dates as the Trustees may from time to time designate as a Distribution Record Date in accordance with the Declaration of Trust, provided that December 31 in each year will be a Distribution Record Date; and in respect of the Partnership means such date or dates as the General Partner may from time to time designate, provided that December 31 in each year will be a Distribution Record Date.

"Eligible Mortgages" means those Mortgages selected for investment and holding in the Mortgage Portfolio by RIC.

"Fair Market Value" in relation to a Unit means the fair market value of such Unit as determined by the Trustees from time to time, acting reasonably, but in their sole discretion, based upon the price at which the Units were offered for sale in the most recent offering of Units by the Fund less the net issue costs of such Unit, adjusted as determined by the Trustees including, without limitation, an adjustment for profits and losses up to the date of determination; provided however that such fair market value shall not exceed the proportionate share of the net asset value of the Fund represented by such Unit.

"First Mortgage" means a Mortgage having priority over all other Mortgage loan interests registered against the same Real Property used to secure such Mortgage.

"Fund" means Romspen Mortgage Investment Fund, an unincorporated investment trust established under the laws of Ontario pursuant to the Declaration of Trust.

"Fund General Security Agreement" means that general security agreement granted to RIC by the Fund in respect of the assets of the Fund as security for (i) the obligations of the Fund to RIC, and (ii) the Guarantee given by the Fund to RIC, as amended, supplemented or amended and restated from time to time.

"Fund Income", for any taxation year of the Fund, means the income for such year computed in accordance with the provisions of the Tax Act less, at the discretion of the Trustees, amounts of any non-capital losses of the Fund for the prior years that are deductible in computing the Fund's taxable income for the year under the Tax Act; provided, however, that capital gains and capital losses will be excluded from the computation of Fund Income. In addition, in computing the Fund Income of the Fund for any taxation year of the Fund, the Trustees will have the sole discretion to utilize or not utilize such deductions, provisions and alternate calculations available under the Tax Act, including without limitation, discretion as to timing and amount, in respect of offering expenses, operating expenses and discretionary deductions.

"Fund Manager" means such person as may from time to time be appointed by the Trustees to manage the day to day operation of the Fund and its successors as fund manager of the Fund, together with any agents duly appointed by the Fund Manager.

"Fund Reserves" means the amounts from time to time which the Trustees, acting reasonably, but in their sole discretion, determine are necessary or desirable: (i) to meet the current and future expenses, liabilities, commitments and obligations of the Fund; and (ii) for such other purposes as may be determined by the Trustees to be necessary or desirable for the conduct, promotion and protection of the purposes and activities of the Fund, its assets and Unitholders.

"General Partner" means Romspen Fund GP Inc., a corporation incorporated under the laws of Ontario, and any successor as the general partner of the Partnership.
"Guarantee" means that guarantee of the obligations of the Partnership to RIC granted by the Fund.

"Insured Mortgages" means Mortgages, the principal repayment of which have been insured with CMHC or another commercially recognized mortgage insurer.

"Limited Partner" means the holder of a Partnership Unit in the Partnership.

"Loan Loss Provision" means a reserve taken against the principal value of a Mortgage loan to reflect a possible future loss of capital;

"Material Agreements" means the contracts referred to under Material Agreements.

"MBLAA" means the Mortgage Brokerages, Lenders and Administrators Act, 2006 (Ontario).

"Mortgage" means a mortgage, hypothec, deed of trust, charge or other security interest of or in real property used to secure obligations to repay money by a charge upon the underlying Real Property, whether evidenced by notes, debentures, bonds, assignments of purchase and sale agreements or other evidences of indebtedness, whether negotiable or non-negotiable.

"Mortgage Origination and Capital Raising Agreement" means the mortgage origination and capital raising agreement, dated as of July 1, 2013, between the Partnership, the Fund and RIC pursuant to which (i) RIC provides Mortgage Origination Services to the Partnership, and (ii) RIC provides Capital Raising Services to the Fund, as the same may be amended, renewed, extended, supplemented or amended and restated from time to time. See Mortgage Origination and Capital Raising Agreement.

"Mortgage Origination Services" means the services provided to the Partnership by RIC pursuant to the Mortgage Origination and Capital Raising Agreement.

"Mortgage Portfolio" means, at any time, the portfolio of Mortgages or interests therein held by the Partnership.

"Net Capital Gains", for any taxation year, mean the amount, if any, by which the aggregate of the capital gains of the Fund in the year exceeds: (i) the aggregate of the capital losses of the Fund in the year; (ii) any capital gains which are realized by the Fund as a result of a redemption of Units; (iii) the amount determined by the Trustees in respect of any net capital losses for prior taxation years which the Fund is permitted by the Tax Act to deduct in computing the taxable income of the Fund for the year; and (iv) any amount in respect of which the Fund is entitled to a capital gains refund under the Tax Act, as determined by the Trustees; provided that, at the discretion of the Trustees, the Net Capital Gains for the year may be calculated without subtracting the full amount of the net capital losses for the year and/or without subtracting the full amount of the net capital losses of the Fund carried forward from previous years.

"NI 31-103" means National Instrument 31-103 - Registration Requirements, Exemptions and Ongoing Registration Requirements, as amended, supplemented or replaced from time to time.

"NI 45-106" means National Instrument 45-106 - Prospectus and Registration Exemptions, as amended, supplemented or replaced from time to time.

"Non-performing Loan" means, at any given time, a Mortgage loan for which the timing or collectibility of interest has been determined to be uncertain by RIC, in its sole discretion, and consequently for which accrual of interest is not included in the consolidated financial statements for the Fund.

"Notice" means the notice sent by a Unitholder to the Trustees requiring the Fund to redeem the Units so described in the Notice.

"OBCA" means the Business Corporations Act (Ontario), as amended, supplemented or replaced from time to time.
"Offering" means the offering on a private placement basis a maximum of 50,000,000 Units at a price of $10.00 per Unit described in this Offering Memorandum.

"Offering Jurisdictions" means the Offering Provinces and the United States.

"Offering Provinces" means Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia and any other Province or Territory of Canada where RIC from time to time is registered as an exempt market dealer or where the Fund or RIC engages a third party agent to distribute the Units.

"Ontario Act" means Securities Act (Ontario), and the regulations, rules, policies and other instruments promulgated thereunder, as amended, supplemented or replaced from time to time.

"Ordinary Resolution" means a resolution passed by a simple majority of the votes cast by those Unitholders who, being entitled to do so, vote in person or by proxy at a duly convened meeting of Unitholders, or, subject to applicable laws, regulations and regulatory policies, a written resolution, in one or more counterparts, consented to in writing by Unitholders holding not less than 50% plus one of the votes attached to Units held by all Unitholders entitled to vote at that time.

"Original Mortgage Management Agreement" means the mortgage management agreement dated as of January 16, 2006 between the Partnership and RIC, which agreement was terminated effective July 1, 2013.

"Partnership" means Romspen Mortgage Limited Partnership, a limited partnership created under the laws of Ontario and governed by the Partnership Agreement.

"Partnership Agreement" means the limited partnership agreement dated as of May 20, 2005 that governs the Partnership, as amended, supplemented or amended and restated from time to time.

"Partnership Capital" at any time, means all of the monies, interests, properties and assets of the Partnership, including, without limitation, all monies realized from the sale of assets of the Partnership or borrowing by the Partnership.

"Partnership General Security Agreement" means that general security agreement granted to RIC by the Partnership in respect of the assets of the Partnership as security for the obligations of the Partnership to RIC, as amended, supplemented or amended and restated from time to time.

"Partnership Reserves" means the amounts from time to time which the General Partner, acting reasonably, but in its sole discretion, determines are necessary or desirable: (i) to meet the current and future expenses, liabilities, commitments and obligations of the Partnership; and (ii) for such other purposes as may be determined by the General Partner to be necessary or desirable for the conduct, promotion and protection of the business and activities of the Partnership, its assets and the Limited Partner.

"Partnership Units" means units of the Partnership issued at a subscription price of $10.00 per Partnership Unit.

"Person" means and includes individuals, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, land trusts, business trusts or other organizations, whether or not legal entities and governments and agencies and political subdivisions thereof.

"Phase I Environmental Audit" means an evaluation of Real Property for purposes of environmental analysis performed solely on the basis of historical records without invasive sampling or drillings from such property.

"Pre-Development Mortgages" means Mortgages granted as security for loans which are advanced for the purpose of assisting in the development of the mortgaged lands which may include, but not be limited to, Mortgages that are advanced against stipulated budgets for the acquisition of land, pre-development costs and installation and construction of roads, drainage, sewage, utilities, and similar improvements on such lands.
"Qualified Appraiser" means a person who is an appraiser accredited or licensed by the Appraisal Institute of Canada, the American Society of Appraisers or any successors thereof;

"Quarterly Report" means, at any given time, the last quarterly or annual report released by the Fund.

"Realized Loss" means an actual loss of capital on a Mortgage loan recorded as such in the consolidated financial statements of the Fund based on a determination by RIC, in its sole discretion, that full recovery of the principal value of the Mortgage loan is not possible.

"Real Property" means property which in law is real property and includes, whether or not the same would in law be real property, leaseholds, Mortgages, undivided joint interests in real property (whether by way of tenancy-in-common, joint tenancy, co-ownership, joint venture or otherwise) and any interests in and to any of the foregoing.

"Register" means that record of the names and addresses of Unitholders together with other pertinent information to be kept by, on behalf of, or under the direction of the Trustees.

"Registered Plans" shall have the meaning ascribed to such term under the heading Certain Canadian Federal Income Tax Considerations – Eligibility for Investment.

"Related Investment" means bonds, debentures, notes or other evidence of indebtedness in, or shares, units or other evidence of ownership in the Partnership or any other entity, including specifically a joint venture or a mortgage investment corporation, engaged directly or indirectly in the funding, holding or investing in Mortgages granted as security for loans, or the sole or principal purpose and activity of which is to invest in, hold and deal in Mortgages.

"Residential Mortgages" means Mortgages that are registered on or against completed single family residences and multifamily residential properties.

"RIC" means Romspen Investment Corporation, a corporation incorporated under the laws of Ontario, and any successor of RIC under the Mortgage Origination and Capital Raising Agreement.

"RRIF" means a registered retirement income fund.

"RRSP" means a registered retirement savings plan.

"Schedule I Bank" means a bank listed in Schedule I of the Bank Act (Canada).

"Second Mortgage" means a Mortgage having priority over all other Mortgage loan interests registered against the same Real Property other than a First Mortgage on such Real Property.

"Special Resolution" means a resolution approved by not less than 66.67% of the votes cast by those Unitholders who, being entitled to do so, vote in person or by proxy at a duly convened meeting of Unitholders, or, subject to applicable laws, regulations and regulatory policies, a written resolution, in one or more counterparts, consented to in writing by Unitholders holding not less than 66.67% of the votes attached to Units held by all Unitholders entitled to vote at that time.

"Subordinate Mortgage" means a Mortgage other than a First Mortgage, including, without limitation a Second Mortgage.

"Subscriber" means a subscriber for Units hereunder, pursuant to the Offering, whose subscription has been accepted by the Trustees, and to whom Units have been issued and not revoked or transferred, and any other holder of Units from time to time (collectively "Subscribers").

"Subscription Agreement" means the agreement to be entered into between the Fund and Subscribers in furtherance of a subscription for Units under the Offering.

"Subsidiary" has the meaning ascribed thereto in the OBCA.
"Syndication" means the sharing of a Mortgage or other investment by more than one Person.

"Tax Act" means the Income Tax Act (Canada) and the regulations promulgated thereunder, as amended from time to time.

"Term Financing Mortgages" means Mortgages granted as security for a loan used to finance a completed or substantially completed income-producing or owner occupied property for a period of time.

"Trust Funds" at any time, means all of the monies, interests, properties and assets that are at such time held by the Trustees for the purposes of the trust established under the Declaration of Trust, including, without limitation, the initial contribution made by the settlor of the Fund and all monies realized from the sale of Units or borrowing by the Fund.

"Trustees" means the trustees of the Fund.

"Unitholder" means a holder of Units.

"Units" means each of the units of the Fund.

"Valuation Date" means the last Business Day of each calendar month upon which date the Trustees will determine the aggregate Fair Market Value of Units outstanding on the first Business Day of the said calendar month.

"Workout Investments" means any evidence of indebtedness, any evidence of ownership in any entity or any other investment made by or at the direction of the General Partner, in the General Partner's sole discretion, on behalf of the Partnership, to preserve or protect the Partnership or its assets, provided that such investments do not, directly or indirectly, cause the Fund to cease to be considered a "unit trust" (as such term is defined under the Tax Act).
FUND

The Fund is an unincorporated closed-end investment trust established under the laws of Ontario pursuant to the Declaration of Trust that is intended to qualify as a "unit trust" and as a "mutual fund trust" under the provisions of the Tax Act. See Declaration of Trust, Description of Units and Canadian Federal Income Tax Considerations. The head office of the Fund is located at 162 Cumberland Street, Suite 300 Toronto, Ontario M5R 3N5. The Trustees are responsible for the general control and direction of the Fund. See Trustees of the Fund.

The Fund is the sole limited partner of the Partnership, a limited partnership established under the laws of Ontario pursuant to the Partnership Agreement. The Fund intends to contribute the net proceeds of the Offering to the Partnership in exchange for Partnership Units to allow the Partnership to acquire and hold a whole or partial, direct or indirect interest in Authorized Investments originated by RIC pursuant to the terms of the Mortgage Origination and Capital Raising Agreement. See RIC.

The Fund was established for the principal purpose of issuing Units and investing its Trust Funds, directly or indirectly, primarily in Authorized Investments with the objective of providing its Unitholders with stable distributions while preserving capital. The Fund intends to continue to finance its activities by selling Units and investing the Trust Funds in Partnership Units to allow investment by the Partnership in Mortgage loans secured by Real Property situated in North America, with a major concentration in Canada. The Fund derives its income from its investment as the sole limited partner in the Partnership. See Declaration of Trust and Description of Units. The Fund's long-term objective is to provide Unitholders with stable and secure cash distributions from its indirect investments by way of the Partnership in Mortgage loans in its target market segments with the goal of obtaining favourable yields and maximizing distributions and Unit value through the efficient sourcing and management of a geographically diverse portfolio of Real Property Mortgage investments in North America, with a major concentration in Canada.

The Partnership conducts its investment activities under contract with RIC, a registered mortgage brokerage and mortgage administrator in Ontario, a registered mortgage broker in British Columbia and a registered mortgage broker in Alberta. RIC has the exclusive right to originate, arrange, underwrite, syndicate and service all investments on behalf of the Partnership in accordance with specific investment and operating policies established by the Partnership from time to time. As manager of the Fund, RIC manages what is believed to be one of Canada's largest private mortgage funds. See RIC, Mortgage Origination and Capital Raising Agreement and Investment and Operating Policies of the Partnership.

The objective of the Partnership is to generate income from its Mortgage loan investments. The Fund will receive its income from the Partnership as a cash distribution on the Partnership Units it owns. From this income, the Trustees calculate, allocate and pay the Fund's Distributable Cash to the Fund's Unitholders on a monthly or other scheduled basis as determined by the Trustees from time to time in accordance with the Declaration of Trust. Currently, the Trustees intend to allocate, distribute and make payments to Unitholders all of the income of the Fund, a sufficient amount of the net realized capital gains of the Fund and any other applicable amounts so that the Fund will not have any liability for tax under Part I of the Tax Act in any taxation year. To achieve these objectives, the Partnership will benefit from RIC's experience in originating, underwriting, syndicating and servicing Mortgage investments. Any Mortgage investments will be subject to specific investment policies and the operation of the Partnership will be subject to specific operating policies. These policies were established based on the historical practices of RIC, whose principals have been successfully operating in the mortgage investment industry since 1969. See Investment Strategy and Investment and Operating Policies of the Fund.

The Partnership intends to continue to pursue a strategy of growth through additional investments in Commercial Mortgages that are currently underserviced by banks and other lending institutions. The Partnership is well positioned to add to its portfolio by focusing on underserviced market niches within the real estate lending market and intends to grow the Partnership's Mortgage assets by accessing capital through further capital contributions from the Fund. The Fund will finance such capital contributions by the issuance of additional Units. See Investment Strategy and Investment and Operating Policies of the Partnership.
The Fund was established, essentially, for an indefinite term. Pursuant to the Declaration of Trust, termination of the Fund (other than by reason that no property of the Fund remains held by the Trustees) or the sale or transfer of all or substantially all of the Fund's assets (other than as part of an internal reorganization of the assets of the Fund as approved by the Trustees) requires approval by Special Resolution. See Description of Trust Units.

INDUSTRY OVERVIEW

The Commercial Mortgage market in North America is segmented into tiers that reflect the desirability of Commercial Mortgages as tier-one, mid-tier or other by the large lending institutions. Several business and project specific factors influence this segmentation. The business factors vary from time to time and by region amongst the large lending institutions and include geographical preferences and concentration issues, other business objectives, relationships with borrowers, risk tolerance, cost of funds, size of Mortgages, and other financial criteria inherent to each individual lender. Project specific factors include the stage of project development, borrower profile and experience, market factors, the amount of borrower equity, levels of presales and/or pre-leasing, existence of mortgage insurance and clarity of exit and repayment strategies. These factors, when ranked by each lender, determine the tiered structure of the industry and the pricing and availability of capital to borrowers throughout the market place. As such, it is quite common to have similar projects considered as either tier-one and/or mid-tier by different lenders and to have the same project evolve from a lower-tier to a tier-one ranking project and for it to attract new and different lenders as the project moves through the various development stages of land acquisition, pre-development, infrastructure, construction, and finally the selling cycle. As a result, in North America's most populated cities, major institutions, banks and trust companies compete for the tier-one, high volume, secured or insurable loan opportunities with an oversupply of capital to opportunities. In all other markets, there exists a near constant imbalance of capital to demand for Commercial Mortgage funds for mid-tier development and construction projects. In these markets, RIC and other private lenders compete for lower volume, development and construction loan opportunities with a usual oversupply of opportunities to appropriately priced capital. The segments between tiers are known as shoulder markets.

The Partnership intends to continue to focus its investments in the following market segments of Mortgages:

**Pre-Development Mortgages**

Land acquisition, pre-development and infrastructure Mortgages occur at an early stage in a project's development and are often characterized as Pre-Development Mortgages because of the use of funds to finance the acquisition of land, pre-development costs and installation and construction of roads, drainage, sewage, utilities, and similar improvements on such lands. Current interest rate pricing for tier-one borrowers and projects range from bank prime plus 1% to 2%; 9% to 10% for the shoulder segment between the tier-one and mid-tier markets and 11% to 14% for mid-tier borrowers and projects. Mortgage terms in all segments average 12 to 18 months in duration. The Partnership will continue to focus on the shoulder and mid-tier markets with Pre-Development Mortgages underwritten to approximately a 65% or lower loan to value ratio on average.

**Construction Mortgages**

Construction Mortgages follow Pre-Development Mortgages as projects move through the development cycle. Construction Mortgages finance the construction of multi-family residential or commercial developments. Current interest pricing for tier-one borrowers and projects range from bank prime plus 1% to 2%; 9% to 10% for the shoulder segment between the tier-one and mid-tier markets and 11% to 14% for mid-tier borrowers and projects. Mortgage terms in all segments average 12 to 24 months in duration. The Partnership will continue to focus on the shoulder and mid-tier markets with Construction Mortgages underwritten to approximately a 65% or lower loan to value ratio on average. The development and construction shoulder and mid-tier markets while large and in the hundreds of millions of dollars annually, are a relatively small segment of the total North American real estate lending market.

**Term Financing Mortgages**

Term financing Mortgages enable an owner of a completed or substantially completed income producing property to defer arranging longer-term financing until conditions warrant more favorable financing terms. Mortgage rates vary
INVESTMENT STRATEGY

The investment goal of the Partnership is to make prudent Conventional First Mortgage loans that provide financing for Real Property situated in North America, with a major concentration in Canada. The Partnership also intends to continue to invest in Subordinate Mortgage loans, subject to the limitation that no more than 20% of the fair market value of the Partnership's assets are invested in Subordinate Mortgage loans. Investments in Real Property may arise from the acquisition of Real Property through foreclosure of a Mortgage loan held by the Partnership or conveyed to the Partnership in full or partial satisfaction of indebtedness owed to the Partnership. RIC, on behalf of the Partnership, diligently reviews and selects Mortgage loan investment opportunities to present to the Partnership and originates, manages and services such Mortgage loans. In making its investment selections to present to the Partnership, RIC adheres to the investment and operating policies of the Partnership. As part of such approval process, if applicable to the investment being considered, the General Partner provides a full underwriting report consisting of a thorough credit assessment of the Mortgage loan investment and the security provided therefore and, where considered necessary, an appraisal prepared by a Qualified Appraiser, a Phase I Environmental Audit, and an evaluation of the prospective borrower and the proposed real estate collateral. See Investment Policies and Operating Policies of the Partnership.

The investment strategy of the Partnership is to invest in Conventional First Mortgage loans and Subordinate Mortgage loans in the shoulder and mid-tier markets where borrower and financing needs are not being met by the larger financial institutions. To maintain a stable interest yield on the Mortgage Portfolio, the Partnership manages risk through the maintenance of a diversified Mortgage Portfolio, conservative underwriting and diligent and proactive Mortgage loan servicing. As a result of the Partnership's intended strategy of initiating a lending relationship in the early stages of a development and the restricted competition in the markets in which the Partnership invests, the Partnership anticipates that it will continue to have substantial influence over interest rate pricing and investment security exposure on its investments.

The Fund offers Units from time to time only if the receipt of the proceeds of such offering by the Partnership does not impair: (i) the investment goals and the investment strategy of the Partnership as described in this section; (ii) the investment and operating policies of the Partnership (see Investment Strategy – Risk Management); (iii) the Partnership’s investment objectives with respect to the Mortgage loans; or (iv) the Partnership’s expected return from its investment in and management of the Mortgage loans.

As part of its growth strategy, the Partnership may develop and execute a strategy for consolidation within its target markets, which strategy may involve purchasing existing Mortgage loans or Mortgage loan portfolios from lenders currently competing in these markets. As well, the Partnership will actively seek to optimize the risk/return relationship with various investments by overweighting attractive segments/geographic regions and underweighting others while always ensuring adequate portfolio diversification. The Partnership may also make Authorized Investments depending on market conditions, available funds and attractive yields.

Canadian Market Focus

One of the keys to successful mortgage underwriting is knowing and understanding the real estate markets in which the properties are located. RIC has extensive mortgage lending experience in urban and secondary Canadian markets in most provinces. This geographic diversification stabilizes Mortgage Portfolio returns by giving RIC maximum investment flexibility among varying economic conditions across regions. As well, from time to time, U.S. property collateral has been and is obtained as secondary security for Canadian based Mortgage loans. As such, RIC has had many years of experience dealing with U.S. properties and mortgages as adjunct collateral to its Canadian mortgage business. RIC's primary focus will be on the Canadian market, with a secondary focus on the U.S. market, as discussed below.
The Partnership and/or the Fund may from time-to-time borrow funds from arm's length entities to manage day-to-day cash-flow requirements of the Partnership and/or Fund. It is not the General Partner's intention to use borrowed funds to enhance Fund returns. Such borrowings are subject to the restriction that the total indebtedness from such entities may not exceed 35% of the book value of the Mortgage loans held by the Partnership as at the date of drawdown of the borrowed funds. See Investment and Operating Policies of the Partnership and Risk Factors.

On December 20, 2011, the Fund and the Partnership provided a $16.5 million payment guarantee in respect of a mortgage loan provided by a Canadian bank to a subsidiary of the Partnership on the Guild/Elm Business Park (subsequently reduced to $13 million). On May 22, 2012, the Fund provided a $10 million indemnity to large multi-
line insurance company in respect of a bonding facility provided by the insurance company to the Fund and Affiliated parties.

**Syndication Strategy**

To manage and diversify risk, RIC may syndicate Mortgage loan investments in which the Partnership participates with one or more lenders. All such syndicated Mortgage loans may initially be funded by the Partnership with mortgagors at a specified interest rate and a portion of the Mortgage loan may then be syndicated to a financial institution or other lenders sourced by RIC. Syndication may be on a *pari passu* basis or on a subordinated basis. Syndicating Mortgage loans reduce the Partnership's exposure in respect of any one Mortgage loan investment.

**Risk Management**

In addition to the default management plan discussed under the heading *Collection Activities*, the Partnership has implemented the following controls to limit and manage risk:

- Investment and operating policies which include, among other things, the following:
  - up to 100% of the Partnership's capital may be invested, among other things, in Conventional First Mortgages, Insured Mortgages and/or Related Investments;
  - no more than 20% of the Partnership's capital may be invested in Subordinate Mortgages;
  - a restriction limiting investment in Commercial Mortgage Backed Securities to a maximum of 30% of Partnership Capital in aggregate (the Partnership has no present intention to invest any of the Partnership Capital in Commercial Mortgage Backed Securities);
  - a restriction providing that the Partnership will not invest more than 10% of its capital in any single First Mortgage or a Commercial Mortgage Backed Securities pool class, unless it is required for risk management purposes only;
  - a restriction providing that the Partnership may not make an investment in, or acquisition of, a Mortgage with a single borrower if the aggregate of the book value of such investment and the book value of the Partnership's Mortgages, loans or investments already provided to or with such single borrower would exceed 10% of the Partnership's capital;
  - when not invested in other Authorized Investments, the Partnership's capital will be placed in Authorized Interim Investments; and
  - a restriction limiting borrowing exposure from entities that are not at arm's length to the Partnership to amounts which do not exceed an amount equal to 25% of the book value of the Conventional First Mortgages investments held by the Partnership as at the date of drawdown of the borrowed funds (the Partnership has no present intention to create any borrowing exposure in the ordinary course of business with entities that are not at arm's length to the Partnership, the Fund or RIC).

In addition to the policies and restrictions on investment set out in the Partnership Agreement, the Partnership also adheres to the following guidelines regarding investments that the Partnership makes:

- investment of Partnership Capital in Authorized Investments in the U.S. is limited to approximately 20%; and
- U.S. dollar-denominated Authorized Investments shall be reviewed on a quarterly basis for the purposes of determining and implementing prudent Canadian dollar hedging strategies. A minimum of two-thirds of the Fund's U.S. dollar-denominated Authorized Investments will be hedged at all times to mitigate the negative impact of foreign exchange fluctuations on Fund
income. Generally, this will be accomplished through a combination of (i) specific hedging provisions contained in loan agreements which transfer foreign exchange exposure to the borrower, or (ii) conventional hedging strategies, such as forward contracts or swap arrangements, executed through the Partnership's bank facility.

- retention of RIC, which has substantial experience in originating, underwriting and servicing Mortgage investments in the markets in which the Partnership intends to invest;

- adopting a syndication strategy whereby the Partnership may syndicate Mortgage investments with other investors to diversify and share risks associated with a given Mortgage investment; and

- where determined necessary, and typically in the majority of cases, arranging for or reviewing existing independent appraisals prepared by Qualified Appraisers for Mortgage investments.

**Development and Maintenance of the Mortgage Portfolio**

In the view of RIC, the three keys to developing and maintaining a successful Mortgage Portfolio are: (i) knowledgeable Mortgage underwriting; (ii) the ability to source a broad range of investment opportunities thereby allowing the General Partner to be selective and prudent in its choice of Mortgage investments; and (iii) disciplined monitoring, servicing and collection enforcement methods. In these respects, the Partnership benefits from the experience of the General Partner and RIC. The General Partner believes that, through RIC, the Partnership will be able to continue to source, originate and fund Mortgage investments which satisfy the Fund's investment criteria based on: (i) the specialized lending structures offered to borrowers; (ii) the reputation, experience and marketing ability of RIC; (iii) the timely credit analysis and decision-making processes followed by RIC and the Partnership; and (iv) a lack of significant lenders in the market segments in which the Partnership invests, resulting from the consolidation in the financial services industry and the migration by the remaining participants in the industry away from the small and medium sized Mortgage market in which the Partnership invests.

RIC's sourcing of the Partnership's investments and servicing of the Mortgage Portfolio provide the following benefits to the Partnership and indirectly to the Fund:

**Mortgage Investment Opportunity Sources**

RIC currently manages and services over $1 billion of Mortgage loans on behalf of various investor clients and it sources Mortgages for these investors either directly or through intermediaries such as mortgage brokerages, banks, trust companies, lawyers and accountants. All of RIC’s officers have extensive contacts in the mortgage and real estate industries which allow them to identify investment opportunities and submit them to the Partnership. In addition, the principals of RIC have collectively over 100 years experience in the business of originating, sourcing and underwriting Mortgages and each of these individuals has a comprehensive knowledge and understanding of the mortgage and real estate industries that has enabled them to make prudent investment decisions and identify sound investment opportunities during this time. The Fund continues to take advantage of RIC’s experience in these types of activities and therefore maintains access to a source of Mortgage investments for which there is limited competition.

**Proven Industry Experience**

Collectively, the officers of RIC have over 100 years of mortgage and real estate experience. Each officer has a comprehensive knowledge and understanding of the mortgage and real estate industries that has enabled him to make prudent investment decisions and identify sound investment opportunities. The name and municipality of residence, office held with RIC and principal occupation of each officer of RIC are described under the heading RIC.
Defaults and Workouts

The Partnership intends to continue to minimize risks associated with defaulting Mortgages through diligent monitoring of the Mortgage Portfolio, active communication with borrowers and the institution of effective enforcement procedures on defaulting Mortgage loans. The Partnership accomplishes this through RIC, which has substantial experience in servicing Mortgage loans, including the institution of enforcement proceedings, and has a history of very low losses on Mortgage loans which it has underwritten and serviced. RIC's officers also have extensive experience in servicing high yield mortgage portfolios as a result of purchasing and restructuring distressed mortgage debt.

RIC has implemented a default management and recovery program for the benefit of the Partnership which includes the following:

- implementation of enforcement proceedings following default under the terms of a Mortgage loan;
- performance of a property inspection following default under the terms of a Mortgage loan and, if necessary, taking possession of the property secured by such Mortgage loan or establishing a property management program for the mortgaged property; and
- strict adherence to the Partnership's investment and operating policies.

The Partnership, through RIC or otherwise, employs the services of, and enters into joint ventures and/or consulting arrangements with, a broad range of professionals (receivers, lawyers, developers, property management companies, leasing companies and workout specialists), as well as other extensive industry contacts and relationships in order to assist in the workout and recovery of Mortgage loans in default. The terms of such engagements and joint ventures have provided for and may provide for monthly fees payable to such providers, as well as incentives and/or profit participation based on the successful execution of such workouts, on an individual or aggregate basis.

Non-performing Loans

Non-performing Loans and the resolution of such loans are a normal, ongoing part of the business. In general, loan pricing takes into account the fact that a certain percentage of Mortgage loans will have a period of non-performance. While RIC, on behalf of the Partnership, aims to collect all indebtedness on Mortgage loans, there are instances where borrowers encounter unforeseen circumstances or are in distressed situations and the collection and/or timing of principal repayments and interest payments becomes unclear. For these Non-performing Loans, interest accrued into revenue is discounted, if such loans are partly performing, or eliminated, if such loans are not performing, thereby resulting in a lower return on the Mortgage Portfolio. Historically, some portion of such non-accrued interest is recovered through the course of the collection process and the ultimate resolution of such Mortgage loans wherein the actual loss experience has been low (under 0.5%).

Resolving Non-performing Loans to maximize value is not typically an expedient process and takes patience, experience, capital and the absence of pressures created by financial leverage. RIC’s business model, lending approach and practices are specifically designed to address these circumstances and manage them to successful outcomes. As such, RIC has the benefit of being able to make the best long-term strategic decisions to maximize the value of Non-performing Loans as opposed to less optimal expedient courses of action.

As of June 30, 2013, the aggregate amount of principal for Non-performing Loans totals $196.5 million. Approximately half of these Non-performing Loans have defined plans for resolution, although the timing of final resolution is often difficult to predict. It is anticipated that the remaining Non-performing Loans will take considerably longer to resolve to maximize inherent value and these exposures have been reserved for in the Fund’s financial statements. The expected potential unrealized losses from these Non-performing Loans are reflected in the quarterly unaudited and annual audited financial statements of the Fund.
Of the $196.5 million of Non-performing Loans, $95.6 million, or 49% of the total, relates to 15 loans where the Partnership has decided to take control of, hold and develop the Real Properties instead of disposing of them at values significantly below optimal market prices. RIC continues to use this strategy in order to maximize potential recoveries. As noted in Investment Strategy – Loss History below, RIC has historically managed the Mortgage portfolio for the Partnership such that almost 100% recovery of principal and accrued interest is achieved on Non-performing Loans. Select information regarding Non-performing Loans will be disclosed in the Quarterly Report.

**Loss History**

Since 2008, RIC has intensified efforts to recover all of the principal and interest owed to the Partnership. These efforts have resulted in the Partnership having Realized Losses of only $9 million since 2008, which represents an approximately 0.47% of the total Mortgage portfolio invested over such period. The absence of any permanent leverage in the capital structure of the Fund permits the Partnership to employ prudent longer-term strategies to maximize recovery on Non-performing Loans by maximizing property values. As of June 30, 2013, the Partnership has set aside $13.3 million or 1% of the Mortgage Portfolio as a Loan Loss Provision against future losses from existing Non-Performing Loans.
<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 (to June 30)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio</td>
<td>301.6</td>
<td>427.8</td>
<td>500.8</td>
<td>485.7</td>
<td>522.8</td>
<td>758.6</td>
<td>1,007.1</td>
<td>1,039.9</td>
</tr>
<tr>
<td>Losses</td>
<td>-</td>
<td>-</td>
<td>1.3</td>
<td>0.5</td>
<td>5.9</td>
<td>0.3</td>
<td>1.1</td>
<td>-</td>
</tr>
<tr>
<td>%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.3%</td>
<td>0.1%</td>
<td>1.1%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Select information regarding loss history will be updated and disclosed in the Quarterly Report.

See RIC – Past Performance for loss history information related to RIC generally.

**Mortgage Portfolio**

The Mortgage Portfolio consists of Mortgages, or interests therein, secured by a range of properties and reflect, among other things, the following characteristics, some of which are included among the Partnership's investment policies:

- a majority of Mortgage investments are less than, or have a funding cap of less than, $50 million, with a larger concentration of Mortgage investments being between $5 million and $15 million;
- payment schedules consist primarily of interest only;
- Mortgages are generally written for terms of two years or less;
- Mortgage investments are secured by Real Property located in Canada and, to a lesser extent, in the U.S., are denominated in Canadian dollars and U.S. dollars respectively; and
- Mortgages are syndicated where it is deemed appropriate.

See Investment Strategy and Investment and Operating Policies of the Partnership.

Aggregated statistics for the Mortgage Portfolio are set out below as at June 30, 2013 and select information is updated and disclosed in the Quarterly Report.

**Highlights**

- Number of Mortgages: 142
- Dollar Value of Advanced Mortgages: $1,039.9
- Weighted Average Face Interest Rate: 10.5%
- Average Loan to Value\(^1\): 60.4%

\(^1\) Ratio excludes Mortgage loans made in connection with Workout Investments and Real Property beneficially owned by the Partnership as a result of the Partnership's collection activities.
### Loan To Value²³

<table>
<thead>
<tr>
<th>Category</th>
<th>Interest Rate</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>55% or less</td>
<td>$269.3</td>
<td>94.0%</td>
</tr>
<tr>
<td>55% to 70%</td>
<td>537.1</td>
<td>4.9%</td>
</tr>
<tr>
<td>Over 70%</td>
<td>140.9</td>
<td>1.1%</td>
</tr>
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</table>

### Interest Rate

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% to 10%</td>
<td>$362.3</td>
</tr>
<tr>
<td>10% to 11%</td>
<td>307.4</td>
</tr>
<tr>
<td>11% to 12%</td>
<td>275.6</td>
</tr>
<tr>
<td>12% to 20%</td>
<td>94.6</td>
</tr>
</tbody>
</table>

### Rank

<table>
<thead>
<tr>
<th>Rank</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st mortgages</td>
<td>$977.7</td>
</tr>
<tr>
<td>2nd mortgages</td>
<td>50.5</td>
</tr>
<tr>
<td>3rd mortgages</td>
<td>11.7</td>
</tr>
</tbody>
</table>

### Geographical

<table>
<thead>
<tr>
<th>Geographical</th>
<th>Interest Rate</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontario</td>
<td>$474.6</td>
<td>45.6%</td>
</tr>
<tr>
<td>British Columbia</td>
<td>169.5</td>
<td>16.3%</td>
</tr>
<tr>
<td>Alberta</td>
<td>170.2</td>
<td>16.4%</td>
</tr>
<tr>
<td>Other Canadian jurisdictions⁵</td>
<td>91.0</td>
<td>8.8%</td>
</tr>
<tr>
<td>United States⁶</td>
<td>134.5</td>
<td>12.9%</td>
</tr>
</tbody>
</table>

### Type

<table>
<thead>
<tr>
<th>Type</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>$207.0</td>
</tr>
<tr>
<td>Pre-development</td>
<td>269.5</td>
</tr>
<tr>
<td>Term</td>
<td>563.4</td>
</tr>
</tbody>
</table>

----

² Ratio excludes Mortgage loans made in connection with Workout Investments and Real Property beneficially owned by the Partnership as a result of the Partnership's collection activities.

³ In general, Mortgage loans with a loan-to-value ratio in excess of 70% have any one of the following characteristics: (a) strong guarantee credentials, (b) adjunct collateral security not included in the loan-to-value calculation, or (c) the underlying Real Property is a high cash-flow producing property.

⁴ These Mortgages are subordinate to prior-ranking third-party mortgages in terms of principal and interest.

⁵ Manitoba – 0.2%; New Brunswick – 1.1%; Nova Scotia – 2.0%; Quebec – 4.6%; Saskatchewan – 0.7%.

⁶ U.S. dollar-denominated loans included in the Mortgage Portfolio figures assume 1:1 CAD/USD exchange rate.
<table>
<thead>
<tr>
<th>Amount</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $5 million</td>
<td>$207.1</td>
<td>19.9%</td>
</tr>
<tr>
<td>$5 to $10 million</td>
<td>247.7</td>
<td>23.8%</td>
</tr>
<tr>
<td>$10 to $20 million</td>
<td>380.6</td>
<td>36.6%</td>
</tr>
<tr>
<td>Over $20 million</td>
<td>204.5</td>
<td>19.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Term to Maturity</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>12 months or less</td>
<td>$765.8</td>
<td>73.7%</td>
</tr>
<tr>
<td>12 to 24 months</td>
<td>256.0</td>
<td>24.6%</td>
</tr>
<tr>
<td>24 to 36 months</td>
<td>7.7</td>
<td>0.7%</td>
</tr>
<tr>
<td>Over 36 months</td>
<td>10.4</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

**ORIGINATION AND SERVICING OF THE MORTGAGE PORTFOLIO**

RIC is responsible for originating, arranging, underwriting, servicing and syndicating the Partnership's Mortgage investments pursuant to the Mortgage Origination and Capital Raising Agreement. See RIC and Mortgage Origination and Capital Raising Agreement.

**INVESTMENT AND OPERATING POLICIES OF THE PARTNERSHIP**

**Investment Policies**

The Partnership Agreement establishes certain policies and restrictions on investments that the Partnership may make including:

- 100% of the Partnership Capital may be invested in, among other things, First Mortgages, Insured Mortgages and/or Related Investments;

- no more than 20% of the Partnership Capital may be invested in Subordinate Mortgages; collateral Mortgages in second position will not be included in determining the Partnership's allowable investments in Subordinate Mortgages;

- the Partnership may assign all or a portion of a Mortgage or Mortgages held by it (the "Assigned Portion") to one or more arms length third party lenders (the "Assignee Lender(s)") for value provided that: (i) if a portion of such Mortgage or Mortgage(s) (the "Retained Portion") is retained by the Partnership, the Partnership may enter into an agreement with the Assignee Lender(s) as to relative ranking of the Assigned Portion and the Retained Portion; and (ii) if the Retained Portion is subordinate to the Assigned Portion, the Retained Portion will be considered a Subordinate Mortgage and therefore subject to the 20% threshold referenced above;

- no more than 30% of Partnership Capital may be invested in Commercial Mortgage Backed Securities (the Partnership has no present intention to invest any of the Partnership Capital in Commercial Mortgage Backed Securities);

- no more than 10% of the Partnership Capital may be invested in any single First Mortgage or a Commercial Mortgage Backed Securities pool class;
the Partnership may not make an investment in, or acquisition of, a Mortgage with a single borrower, if the aggregate of the book value of such investment and the book value of the Partnership's Mortgages, loans or investments already provided to or with such single borrower would exceed 10% of the Partnership Capital;

when not invested in other Authorized Investments the Partnership Capital will be placed in Authorized Interim Investments;

the Partnership may participate in Authorized Investments on a syndicated basis with others, including Affiliates and Associates of RIC and their Affiliates and Associates (see Declaration of Trust – Conflict of Interest Restrictions and Provisions for Trustees), subject to the approvals otherwise required in connection with its investments; and

notwithstanding any limits stated herein, for risk management purposes only, the Partnership may increase a given investment to more than 10% of the Partnership Capital in order to remedy the default by a borrower of its obligations in respect of a prior ranking security or satisfy the indebtedness secured by a prior ranking security or for any other reason if such action is required to protect the Partnership's investment and if such proposed increase in the Partnership's investment is approved by the General Partner.

In addition to the policies and restrictions on investment set out in the Partnership Agreement, the Partnership also adheres to the following guidelines regarding investments that the Partnership makes:

investment of Partnership Capital in Authorized Investments in the U.S. is limited to approximately 20%; and

U.S. dollar-denominated Authorized Investments shall be reviewed on a quarterly basis for the purposes of determining and implementing prudent Canadian dollar hedging strategies. A minimum of two-thirds of the Fund's U.S. dollar-denominated Authorized Investments will be hedged at all times to mitigate the negative impact of foreign exchange fluctuations on Fund income. Generally, this will be accomplished through a combination of: (i) specific hedging provisions contained in loan agreements which transfer foreign exchange exposure to the borrower; or (ii) conventional hedging strategies, such as forward contracts or swap arrangements, executed through the Partnership's bank facility.

The Fund offers Units from time to time only if the receipt of the proceeds of such offering by the Partnership does not impair the Partnership's investment policies as described in this section.

**Operating Policies**

The Partnership Agreement provides that the operations and affairs of the Partnership are required to be conducted in accordance with the following operating policies:

the Partnership may borrow funds on commercially reasonable terms subject to the limitation previously described, to acquire or invest in specific Authorized Investments;

when making an investment in, or an acquisition of, a Mortgage or other Authorized Investment, the General Partner may, in its sole discretion, but will not be obliged to, obtain or review an independent appraisal from a Qualified Appraiser of, and/or a Phase I Environmental Audit on, the underlying Real Property which is the primary security for the Mortgage or other Authorized Investment, and may or may not obtain additional independent appraisals or audits of the underlying property or any additional collateral and other properties securing the Mortgage or other Authorized Investment;

in addition, in its sole discretion and in satisfaction of the requirements of the immediately preceding paragraph, the General Partner may rely upon an independent appraisal from a Qualified Appraiser and/or a Phase I Environmental Audit in respect of the subject property that has been provided to the Partnership by the borrower;
approval of an investment or acquisition must be in writing, may be signed in counterparts, in original form
or by facsimile, and must be signed by the authorized persons required to approve such investment or
acquisition in accordance with the Partnership Agreement;

when deemed necessary by the General Partner, the Partnership will, where appropriate, establish and
manage property tax escrow accounts in respect of the Real Property provided as security for the
Partnership's Mortgage investments, if any;

the legal title to each Authorized Investment may be held by and registered in the name of the General
Partner or a corporation or other entity that is an Affiliate, Associate or subsidiary of the General Partner or
its subsidiaries, Associates or Affiliates. Where the Partnership's interest is held in trust, the trust
arrangements must be approved by the General Partner. Where the legal title to an Authorized Investment
is held by and registered in the name of an entity wholly-owned by, or Affiliated or Associated with, the
General Partner, or in the name of a person or persons in trust for the Partnership, such entity may hold
legal title to such Authorized Investment on behalf of other beneficial owners of such Authorized
Investment; and

the appraised value relied upon for purposes of making a Mortgage investment need not be on an "as is"
basis and may be based on stated conditions, including with limitation, completion, rehabilitation, sale or
lease-up of improvements located on the Real Property.

Amendments to Investment and Operating Policies

The investment and/or operating policies of the Partnership set out above may be amended, supplemented or
replaced from time to time by the General Partner in its sole discretion without the consent, approval or ratification
of the limited partners or any other person. In the alternative, the General Partner may elect, but will not be required,
to submit any proposed amendments, supplements or replacements to the investment policies and/or operating
policies to the limited partners for approval by Ordinary Resolution upon which approval, such amendments,
supplements or replacements will be immediately effective without the approval, unanimous or otherwise, of the
General Partner. Where the investment and/or operating policies of the Partnership are amended, supplemented or
replaced by the General Partner, in its sole discretion, without the consent, approval or ratification of the limited
partners, limited partners will be given written notice of material amendments to the investment policies 30 days
prior to the implementation of any such amended investment policies. Notwithstanding anything else to the contrary
set out in the Partnership Agreement, if at any time a government or regulatory authority having jurisdiction over the
Partnership or any property of the Partnership will enact any law, regulation or requirement which is in conflict with
any investment or operating policy of the Partnership then in force, such policy in conflict will, if the General
Partner so resolves, be deemed to have been amended to the extent necessary to resolve any such conflict and,
notwithstanding anything to the contrary herein contained, any such resolution of the General Partner will not
require the prior approval of limited partners or any other person.

Notwithstanding the foregoing, no investment and/or operating policies of the Partnership will be amended,
supplemented or replaced to allow for the fundamental departure from the Partnership's business of originating
Mortgages in furtherance of its objectives of preserving capital and providing its sole limited partner, the Fund, with
stable and secure cash distributions.

Collection Activities

RIC monitors the performance of the Mortgage Portfolio, including tracking the status of outstanding payments due,
grace periods and due dates, and the calculation and assessment of other applicable charges. The Mortgage
Origination and Capital Raising Agreement requires RIC to make reasonable efforts to collect all payments on
account of principal and interest payable on an Authorized Investment where applicable, to cause the borrower to
perform its obligations under the Authorized Investment or other security documents relating thereto and to follow
established collection procedures. RIC is required to monitor any loan that is in default, evaluate whether the causes
of the default will be corrected by the borrower over a 30 day period without significant impairment of the value of
the related mortgaged property, initiate corrective action and take such other actions as are consistent with
established collection procedures. See Mortgage Origination and Capital Raising Agreement.
The time within which RIC may make the initial determination of appropriate action, evaluate the appropriate corrective action, if any, develop additional initiatives, or institute foreclosure, power of sale or other enforcement proceedings on behalf of the Partnership may vary considerably depending on the particular Mortgage loan, the mortgaged property, the borrower, the mortgagor’s circumstances as perceived by RIC and the presence of an acceptable party to assume the Mortgage loan. If a borrower makes a proposal, an assignment or takes any other proceedings under the Bankruptcy and Insolvency Act (Canada), the Companies’ Creditors Arrangement Act (Canada), the Winding-Up and Restructuring Act (Canada) or other insolvency, arrangement or other legislation for the relief of debtors in Canada, the U.S. or elsewhere, RIC may not be permitted to accelerate the maturity of the related Mortgage loan, to foreclose the mortgaged property or to exercise power of sale or other mortgage enforcement proceedings for a considerable period of time.

**LICENSING AND LEGISLATIVE REGIME**

**Mortgage Brokerage**

In Ontario, the MBLAA requires all individuals and businesses who conduct mortgage brokering activities to be licensed with the Financial Services Commission of Ontario, the government agency responsible for overseeing the mortgage brokering industry in Ontario. Under the MBLAA, a "mortgage brokerage" is a person who carries on the business of dealing in mortgages in Ontario. A person is considered to be "dealing in mortgages in Ontario" when such person engages in any of the following activities in Ontario, or holds itself out as doing so: (a) soliciting another person or entity to borrow or lend money on the security of real property; (b) providing information about a prospective borrower to a prospective mortgage lender, whether or not the MBLAA governs the lender; (c) assessing a prospective borrower on behalf of a prospective mortgage lender, whether or not the MBLAA governs the lender; (d) negotiating or arranging a mortgage on behalf of another person or entity, or attempting to do so; or (e) engaging in such other activities as may be prescribed under the MBLAA.

In British Columbia, the Mortgage Brokers Act (British Columbia) requires persons carrying on the business of a mortgage broker to be registered as a mortgage broker with the Financial Institutions Commissions (British Columbia), the government agency responsible for overseeing the mortgage brokerage industry in British Columbia.

In Alberta, the Real Estate Act (Alberta) requires any person who deals in mortgage to hold an authorization with the Real Estate Council of Alberta, the non-government agency responsible for governing mortgage brokers in Alberta.

As neither the Fund nor the Partnership is or will be licensed under the MBLAA, the Mortgage Brokers Act (British Columbia, or the Real Estate Act (Alberta), neither the Fund nor the Partnership can engage directly in the business of dealing in mortgages in Ontario, British Columbia or Alberta and must therefore conduct its Mortgage investment activities under contract with RIC, a licensed mortgage brokerage and mortgage administrator in Ontario and a licensed mortgage broker in British Columbia and Alberta.

Mortgage brokerages are regulated provincially and as such the licensing and registration requirements vary by province. RIC has taken all necessary steps to see it is in compliance with all relevant licensing and registration requirements in all provinces where it conducts business.

**Securities Activities**

In late 2009, NI 31-103 came into force in the Offering Provinces. Based primarily on the facts that Units are distributed or redeemed on a monthly basis and that investors in the Fund are actively solicited, a determination was made that in order for the distribution of Units to be in compliance with applicable securities laws, including NI 31-103, such distribution would have to be intermediated by a registered dealer. RIC is a registered exempt market dealer in each of the Offering Provinces. RIC, in its capacity as an exempt market dealer, performs dealer and ongoing administrative services for the Fund pursuant to the Mortgage Origination and Capital Raising Agreement.
On February 25, 2011, the Canadian Securities Administrators ("CSA") issued CSA Staff Notice 31-323 - Guidance Relating to the Registration of Mortgage Investment Entities (the "Notice"). The Notice sought to clarify the registration requirements applicable to mortgage investment entities ("MIE") pursuant to NI 31-103.

The term MIE refers to a person or company whose purpose is to directly or indirectly invest substantially all of its assets in debts owing to it that are secured by mortgages, hypothecs or in any other manner on real property, and whose other assets are limited to (i) deposits with a bank or other financial institution, (ii) cash, (iii) certain specified debt securities, (iv) real property which is directly or indirectly held on a temporary basis as a result of action taken to enforce its rights as a secured lender, and/or instruments intended solely to hedge specific risks relating to the debts owing to it that are secured by mortgages, hypothecs or in any other manner on real property.

An MIE managing a portfolio of mortgages (a "Pooled MIE") will be considered to be an investment fund (and therefore will be subject to investment fund manager registration requirements) if its primary activity is managing an investment portfolio that includes mortgages. The CSA considers a Pooled MIE's primary activity to be managing an investment portfolio that includes mortgages if the Pooled MIE (i) does not take an active role in originating the mortgages that become part of the investment portfolio, and (ii) buys or sells mortgages in accordance with a stated portfolio investment policy. Therefore, a Pooled MIE that is a passive investor in mortgages through the secondary market will be considered to be an investment fund and therefore subject to investment fund manager registration requirements.

A Pooled MIE will not be considered to be an investment fund (and therefore will not be subject to investment fund manager registration requirements) if its primary activity is mortgage lending (i.e. operating a business that creates and manages mortgages). The CSA considers a Pooled MIE's primary activity to be mortgage lending if the Pooled MIE: (i) originates the mortgages in the name of the Pooled MIE directly or through an agent retained by the Pooled MIE and acting on its behalf; (ii) funds the mortgages; (iii) enters into the mortgages agreements as mortgagee; and (iv) administers the mortgages, either directly or through an agent acting on its behalf.

Therefore, a Pooled MIE that is engaged in mortgage lending as its primary activity will not be considered to be an investment fund and therefore will not be subject to investment fund manager registration requirements. As noted in this Offering Memorandum, the Partnership, on behalf of the Fund, is engaged in mortgage lending as its primary activity and is therefore the Fund should not considered to be an investment fund. Consequently, RIC has not sought registration as an investment fund manager.

RIC has received advice by the Ontario Securities Commission that advisor registration is not required at this time in respect of RIC's relationship with the Fund.

**MANAGEMENT OF THE PARTNERSHIP**

The Partnership is under the general control and direction of the General Partner, including the day-to-day operations of the Partnership, but the origination of the Partnership's investments is carried out by RIC pursuant to the Mortgage Origination and Capital Raising Agreement. The General Partner may appoint an advisory board from time to time to advise the Partnership in respect of its business and investments. See General Partner and RIC, Blake Cassidy, an individual resident in the Province of Ontario and an employee of RIC, is the President and the sole director of the General Partner. Joel Mickelson, an individual resident in the Province of Ontario and an employee of RIC, is the Secretary of the General Partner.

RIC has entered into the Mortgage Origination and Capital Raising Agreement with the Partnership and is entitled to earn a fee for providing Mortgage Origination Services to the Partnership. RIC must render its services under the Mortgage Origination and Capital Raising Agreement honestly, diligently and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities under the Mortgage Origination and Capital Raising Agreement. While RIC, its directors and officer have committed a significant amount of their time and attention to the business of the Partnership, RIC, its directors, officers and their respective Affiliates may, from time to time, engage in other business activities, including business activities which may compete directly or indirectly with the Partnership. See Mortgage Origination and Capital Raising Agreement and Conflicts of Interest. RIC gives the Partnership first opportunity to invest in Mortgage investment opportunities identified and reviewed by it.
Although none of the directors or officers of the General Partner or RIC will devote all of his or her full time to the business and affairs of the General Partner and the Partnership, each will devote as much time as is necessary to supervise the management of, and to manage or to advise on the business and affairs of, the Partnership and its business, or in the case of RIC, to provide the services contemplated under the Mortgage Origination and Capital Raising Agreement. Whenever a conflict of interest arises between the Partnership, on the one hand, and RIC on the other hand, the parties involved in resolving that conflict or determining any action to be taken or not taken will be entitled to consider the relative interests of all of the parties involved in the conflict or that will be affected by such action, any customary or accepted industry practices, and such other matters as the parties deem appropriate in the circumstances. The Partnership Agreement contains conflicts of interest provisions requiring the General Partner to disclose material interests in material contracts and transactions. See Conflicts of Interest.

**General Partner**

The General Partner is a corporation incorporated under the laws of the Province of Ontario. The General Partner acts as the General Partner of the Partnership in accordance with the Partnership Agreement (see Partnership Agreement) and performs the day-to-day management of the Partnership's business. The General Partner receives reimbursement of reasonable expenses incurred in connection with its duties as General Partner.

The Partnership reimburses the General Partner for all costs incurred by the General Partner in the performance of its duties as General Partner under the Partnership Agreement including, but not limited to, the costs of formation, organization and maintenance of the Partnership, fees and disbursements relating to the business of the Partnership, taxes, interest and all other costs or amounts, if any, incurred with respect to borrowing or the security provided therefore, and all other direct costs of the Partnership, excluding expenses of any action, suit or other proceeding in which or in relation to which the General Partner is adjudged to be in breach of any duty or responsibility imposed on it under the Partnership Agreement. The General Partner, at the expense of the Partnership, retains third parties, including related third parties, to provide assistance to it in providing its services to the Partnership. The General Partner may appoint an advisory board from time to time to advise the Partnership in respect of its business and investments. The sole shareholder of the General Partner is Romspen Holdings Inc., an Affiliate of RIC. See Management of the Partnership.

**DECLARATION OF TRUST**

The Declaration of Trust provides that the assets and operations of the Fund are subject to the control and direction of a minimum of three and a maximum of five Trustees. The current number of Trustees is four. The number of Trustees within such range may be fixed by Ordinary Resolution of the Unitholders from time to time. Notwithstanding the foregoing, between annual meetings of Unitholders, the Trustees may appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, but the number of additional Trustees will not at any time exceed 100% of the number of Trustees who held office at the expiration of the last annual meeting of Unitholders. The Trustees may also fill any vacancies that occur during the year as set out in the Declaration of Trust. Provided that RIC remains the mortgage originator for the Partnership, RIC shall have the right to appoint three Trustees. Any additional Trustees shall be appointed in the ordinary course by the Unitholders.

The Declaration of Trust provides that at least 2/3rds of the Trustees, or if a Trustee is a corporation or other non-individual, 2/3rds of the directors, officers or persons performing equivalent functions of the corporation or other non-individual, must have at least five years of relevant experience in the real estate, mortgage, banking, legal or investment industries relevant to the principal purpose of the Fund. Subject only to the specific limitations contained in the Declaration of Trust, the Trustees have, without further or other action or authorization and free from any control or direction on the part of the Unitholders, full, absolute and exclusive power, control and authority over the assets of the Fund and over the operations of the Fund to the same extent as if the Trustees were the sole and absolute beneficial owners of such assets in their own right, to do all such acts and things as in their sole judgment and discretion are necessary or incidental to, or desirable, for the carrying out of any of the purposes of the Fund or for conducting the operation of the Fund. To the maximum extent permitted by law, the Trustees, in carrying out investment activities, are not, and will not, be in any way restricted by the provisions of the laws of any jurisdiction limiting or purporting to limit investments which may be made by the Trustees. For further clarification, the Trustees are not, and will not, be required to have regard to the criteria for investment for prudent trustees prescribed by the laws pertaining to trustees in any jurisdiction. In addition to the broad powers to manage the operations of the
Fund solely in their discretion as described above, the Trustees have the authority to allow a Fund Manager, committee or other persons to administer and regulate the operation of the Fund, to act as agents for the Fund, to execute documents on behalf of the Fund and the Trustees and to make executive decisions which conform to the general policies and principles and the investment and operating policies established by the Trustees.

The Trustees also have the power to delegate to a committee or committees, which may be comprised of all or less than all of the Trustees or persons who are not Trustees, a Fund Manager or other advisors any of the powers of the Trustees, including the responsibility for administering the Fund on a day to day basis, performing the record keeping and reporting functions of the Fund and managing the investments of the Fund, subject to the overriding authority of the Trustees and the requirement for each Trustee to exercise the powers and discharge the duties of his or her office honestly, in good faith and with a view to the best interests of the Fund and the Unitholders. For greater certainty, to the extent that the Trustees contract or delegate the performance of all or a portion of their activities to a Fund Manager, a Trustee or other advisor, they are deemed to have satisfied the aforesaid standard of care. The paragraphs above set out generally the powers of the Trustees to administer the Fund. The Declaration of Trust contains a list of specific powers granted to the Trustees, which specific powers in no way limit the general powers and authority described above. Please refer to the Declaration of Trust for the specific powers granted to the Trustees.

Unless otherwise required by law, the Trustees will not be required to give bond, surety or security in any jurisdiction for the performance of any duties or obligations under the Declaration of Trust, nor will the Trustees be required to devote their entire time to the investments, purpose or affairs of the Fund. The Declaration of Trust limits the liability of the Trustees to the Fund and the Unitholders, restricting liability to gross negligence, willful misconduct or actual fraud by a Trustee. The Declaration of Trust further provides an indemnity for each Trustee and officer of the Fund by the Fund and states that, in the exercise of the powers, authorities or discretion conferred upon the Trustees by the Declaration of Trust or any other agreement, the Trustees are conclusively deemed to be acting as trustees of the assets of the Fund and will not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges, damages, penalties or expenses against or with respect to the Fund or the assets or property of the Fund and, without limiting the generality of the foregoing, the Fund will be solely liable therefore and resort will be had solely to the Fund assets for payment or performance thereof.

Trustees are entitled to receive such reasonable compensation, if any, as the Trustees may determine from time to time for their services as Trustees, including compensation for attending board or committee meetings. Trustees are also entitled to reimbursement of their reasonable out-of-pocket expenses incurred in acting as a Trustee and to receive remuneration, as determined by the Trustees, for services rendered to the Fund in any other capacity, either directly or indirectly. Such services may include, without limitation, services as an officer of the Fund, legal, accounting or other professional services or services as a broker or underwriter, whether performed by a Trustee or any person Affiliated or Associated with a Trustee.

Under the provisions of the Mortgage Origination and Capital Raising Agreement, a Trustee who is also a director, officer or employee of RIC will be paid such compensation, if any, by RIC. Currently all of the Trustees are directors and officers of RIC. See Declaration of Trust - Trustees and RIC.

**Conflict of Interest Restrictions and Provisions for Trustees**

The Declaration of Trust contains conflict of interest provisions that are intended to protect Unitholders without creating unreasonable limitations on the Fund. Given that the Trustees are engaged in a wide range of activities, the Declaration of Trust contains provisions that require each Trustee of the Fund to disclose to the Fund any material interest in a material contract or transaction or proposed material contract or transaction with the Fund or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund and, unless the result would be that no Trustee is available to vote on the contract or transaction, to refrain from voting thereon. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. If all of the Trustees have a material interest in a material contract or transaction or proposed material contract or transaction, then, provided the required disclosure has been made by each of the Trustees, the Trustees may proceed to consider and vote on any resolution to approve the contract or transaction or proposed contract or transaction which is the subject of the Declaration of Trust if they in good faith determine that it is commercially reasonable to
do so. A Trustee complying with the conflicts of interest provisions set out in the Declaration of Trust will not be subject to any liability to the Fund, the Trustees or the Unitholders with respect to such contract, transaction or proposed contract or transaction as aforesaid.

In the event that a meeting of Unitholders is called to confirm or approve a contract or transaction or proposed contract or transaction in which a Trustee is interested as aforesaid, the extent of the interest in the contract or transaction or proposed contract or transaction of the Trustee will be disclosed in reasonable detail in the notice calling the said meeting of Unitholders or in any information circular to be provided in respect thereof.

Where a material contract is made or a material transaction is entered into between the Fund and a Trustee, or between the Fund and another person of which a Trustee is a director or officer or in which he has a material interest and such person disclosed his interest in accordance with the Declaration of Trust, and the contract or transaction was approved in good faith, then such person is not accountable to the Fund or to the Unitholders for any profit or gain realized from the contract or transaction and the contract or transaction is neither void nor voidable by reason only of that relationship or by reason only that such person is present at or is counted to determine the presence of a quorum at the meeting or voted at the meeting that authorized the contract or transaction.

Subject to the paragraph immediately above, and except in respect of the material agreements entered into in connection with the establishment of the Fund, where a Trustee fails to disclose his interest in a material agreement or transaction in accordance with the Declaration of Trust or otherwise fails to comply with those provisions, the Trustees or any Unitholder, in addition to exercising any other rights or remedies in connection with such failure exercisable at law or in equity, may apply to a court for an order setting aside the contract or transaction and directing that such person account to the Fund for any profit or gain realized therefrom. It is specifically acknowledged in the Declaration of Trust that the Fund or the Partnership have or will in the future enter into agreements or transactions with RIC or its Affiliates or Associates for the provision of products or services by RIC or its Affiliates or Associates to or for the Fund or the Partnership, that the Trustees are all directors or officers of RIC and that any amounts charged to the Fund or the Partnership for such products or services will be determined in a commercially reasonable manner. See Management of the Fund and Risk Factors.

Trustees

The name and municipality of residence, office held with the Fund and the principal occupation of each Trustee of the Fund are as follows:

<table>
<thead>
<tr>
<th>Name and Municipality of Residence</th>
<th>Position with the Fund</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheldon C. Esbin, Toronto, Ontario</td>
<td>Chairman and Trustee</td>
<td>Managing General Partner of RIC</td>
</tr>
<tr>
<td>Mark L. Hilson, Toronto, Ontario</td>
<td>Vice President and Trustee</td>
<td>Managing General Partner of RIC</td>
</tr>
<tr>
<td>Arthur E. Resnick, Toronto, Ontario</td>
<td>Vice President and Trustee</td>
<td>Managing Partner of RIC</td>
</tr>
<tr>
<td>Wesley N. Roitman, Toronto, Ontario</td>
<td>Vice President and Trustee</td>
<td>Managing General Partner of RIC</td>
</tr>
</tbody>
</table>

The Trustees, in the aggregate, exercise control, directly or indirectly, over approximately 4.4 million Units representing approximately 4.2% of the outstanding Units as at June 30, 2013.

The following are brief biographies of the Trustees and officers of the Fund, including the nature and extent of their experience in the mortgage and real estate industries and their principal occupations during the last five years.
Sheldon C. Esbin

Mr. Esbin is a Managing General Partner of RIC where he has been employed since 1992 and oversees all operations of the Fund. Mr. Esbin together with Arthur Resnick co-founded Romspen in the early 60's.

Prior to founding Romspen, Mr. Esbin practiced law for 26 years at Spencer Romberg during which time he also lectured, served on professional boards and authored numerous legal articles. Mr. Esbin graduated from Osgoode Hall Law School in 1964 and was called to the Ontario Bar in 1966, with Honours (Law Society prize).

Mr. Esbin is an active collector of Toronto archival material and is an avid supporter of many organizations involved in the preservation of Toronto's historical past.

Mark L. Hilson

Mr. Hilson is a Managing General Partner of RIC where he has been employed since 2008 and oversees the Fund's overall operation and performance.

Previously, he worked at Onex Corporation for 22 years where he was a Managing Director. Prior to joining Onex, he was an Associate in the Mergers and Acquisitions Group at Merrill Lynch and a Brand Manager at Procter & Gamble. Mr. Hilson has an MBA (George F. Baker Scholar) from the Harvard Graduate School of Business Administration and an Honours Bachelor of Business Administration (Gold Medalist) from Wilfrid Laurier University.

Mr. Hilson is a member of the board of directors of Gore Mutual Insurance Company.

Arthur E. Resnick

Mr. Resnick is a Managing Partner of RIC where he has been employed since 1992. Mr. Resnick was a co-founder of Romspen along with Sheldon Esbin in the early 60's.

Mr. Resnick practiced with the law firm of Spencer Romberg specializing in real estate and mortgage law from the time he was admitted to the Ontario bar in 1969. He has a Bachelor of Commerce degree from the University of Toronto and a Bachelor of Law degree from Osgoode Hall Law School.

Wesley N. Roitman

Mr. Roitman is a Managing General Partner of RIC where he has been employed since 2004 and oversees the Fund's overall operation and performance.

Previously, he was General Partner of St. Aubyn's Partnership and prior to this he was Executive Vice President and Chief Operating Officer of Northern Financial Corporation. From 1996 to 1999 Mr. Roitman was Chief Financial Officer of PSINet Limited, a large NASDAQ listed international internet service provider.

Mr. Roitman has a Bachelor of Science in Mathematics and Actuarial Science from the University of Toronto.

**ROMSPEN INVESTMENT CORPORATION**

RIC is a corporation incorporated under the laws of Ontario. The Partnership conducts its mortgage investment activities under contract with RIC, in its capacity as a registered mortgage brokerage. See Licensing and Legislative Regime – Mortgage Brokerage. The Fund has also engaged RIC, in its capacity as an exempt market dealer, as its agent for the Offering. See Licensing and Legislative Regime – Securities Activities.

**Mortgage Brokerage**

RIC acts as the Partnership's loan originator, underwriter, servicer and syndicator. RIC has been in the business of originating, underwriting, servicing and syndicating mortgage loans since 1992 and is registered as a mortgage
brokerage and mortgage administrator in Ontario and as a mortgage broker in British Columbia and Alberta. The principals of RIC have been active in the industry since 1966. RIC was initially incorporated to acquire a pool of privately financed Mortgages. Since then, RIC's principals have continuously provided a service-oriented mortgage and credit facility to real estate investors, developers and entrepreneurs.

RIC's expertise has been built through funding borrowers whose property or application is not appropriate for traditional lending institutions or where traditional lending institutions will take too long to process the application. RIC views its structure and lending guidelines to provide it a competitive advantage which has enabled it to be a leader in the mortgage industry in terms of providing timely commitments to finance. RIC has a reputation for completing transactions in a timely and flexible manner, which has earned it repeat business. The growth of RIC is dependent on its ability to source safe and secure loans. RIC currently has approximately 40 employees.

The reluctance of large institutional lenders to enter into the niche markets in which the Fund invests has made available high quality investment opportunities in which RIC has specialized since 1992 and through its predecessors since 1966. RIC is well known in the non-bank real estate lending industry in Canada and it sources potential transactions principally through a network of licensed mortgage brokerages, repeat borrowers and its reputation, which the Fund's management expects will continue to be enhanced through the activities of the Fund.

Past Performance

While focused exclusively in the mid-tier mortgage markets, RIC has returned highly attractive yields to its investor base. Specifically, RIC's approval, management and hands-on monitoring processes have resulted in minimal losses from defaults. Over the period from January 1, 1996 to December 31, 2005, only approximately $1.5 million has been written off due to mortgage default on approximately $514 million in Mortgage investments - a realized loss rate of 0.28%. See Investment Strategy – Loss History for write-off and loss rate information related to the Fund.

Since the Fund commenced operations on January 16, 2006, the Fund represents the vast majority of the Mortgages administered by RIC. For a description of the actual performance of the Fund since it commenced operations on January 16, 2006. See Fund Performance.

Management Team

The name and municipality of residence and the position held with RIC of the members of the management team of RIC are as follows:

<table>
<thead>
<tr>
<th>Name and Municipality of Residence</th>
<th>Position with RIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blake A. Cassidy, Toronto, Ontario</td>
<td>Managing Partner and Director</td>
</tr>
<tr>
<td>Sheldon C. Esbin, Toronto, Ontario</td>
<td>Managing General Partner and Director</td>
</tr>
<tr>
<td>Mark L. Hilson, Toronto, Ontario</td>
<td>Managing General Partner and Director</td>
</tr>
<tr>
<td>Arthur E. Resnick, Toronto, Ontario</td>
<td>Managing Partner and Director</td>
</tr>
<tr>
<td>Wesley N. Roitman, Toronto, Ontario</td>
<td>Managing General Partner and Director</td>
</tr>
</tbody>
</table>

MORTGAGE ORIGINATION AND CAPITAL RAISING AGREEMENT

The statements in this Offering Memorandum concerning the Mortgage Origination and Capital Raising Agreement are intended to be only a summary of the provisions of such agreement and do not purport to be complete. A copy of the Mortgage Origination and Capital Raising Agreement will be provided to each prospective purchaser on request
in writing to the Trustees. All capitalized terms in this section not otherwise defined herein shall have the meaning as set out in the Mortgage Origination and Capital Raising Agreement.

**Mortgage Origination Services**

Pursuant to the Mortgage Origination and Capital Raising Agreement, RIC is required to (i) diligently seek out, review and present to the Partnership Mortgage investment opportunities consistent with the objectives and the investment and operating policies of the Partnership, and (ii) originate, service and administer such Mortgages in accordance with applicable mortgage brokerage legislation and in a manner consistent with customary and usual standards of practice of prudent lenders originating and servicing comparable Mortgage loans. Incidental to the foregoing, RIC shall:

- investigate, select and conduct relationships with consultants, borrowers, lenders, mortgagors and other mortgage and investment participants, accountants, originators or brokers, correspondents and mortgage managers, technical advisors, lawyers, underwriters, brokers and dealers, corporate fiduciaries, escrow agents, depositaries, custodians, agents for collection, insurers, insurance agents, banks, investors, builders and developers; to employ, retain and supervise such persons and the services performed or to be performed by such persons in connection with the Partnership's investments and to substitute any such party or itself for any other such party or for itself;

- act on behalf of the Partnership as its nominee or agent in connection with acquisitions or dispositions of the Partnership's investments, the execution of deeds, mortgages or other instruments in writing for or on behalf of the Partnership and the handling, prosecuting and settling of any claims of the Partnership relating to the Partnership's investments, including the foreclosure or other enforcement of any mortgage, lien or other security interest securing the Partnership's investments;

- provide the Partnership with information relating to proposed acquisitions, dispositions, financing and Mortgage investments;

- service and administer the Partnership's investments on behalf of the Partnership, including holding the Partnership's interest in an Authorized Investment as nominee and bare trustee for and on behalf of the Partnership, maintaining records and accounts in respect of each Authorized Investment, remitting to the Partnership all amounts received by RIC on account of the Partnership's interest in an investment and on a monthly basis forwarding to the Partnership a monthly statement of account in respect of all Authorized Investments in which the Partnership has an interest;

- assist the General Partner to formulate and modify the Partnership's investment policies and investment objectives when appropriate, and to report to the Partnership in connection with or relative to the Partnership's investments as may be required from time to time by the Partnership acting reasonably;

- provide those services as may be required in connection with the collection, handling, prosecuting and settling of any claims of the Partnership with respect to the Partnership's investments, including foreclosing and otherwise enforcing Mortgages and other liens and security interests securing the Partnership's investments;

- if required in accordance with the investment policies or operating policies, obtain an appraisal and/or a Phase I Environmental Audit of Real Property with respect to Mortgage interests which are being acquired or with respect to which a Mortgage loan or commitment is being made;

- deliver to the Partnership portfolio reports from time to time with respect to the investments held by the Partnership and provide any other information or documentation relating to such Partnership's investments as may be reasonably requested by the General Partner; and

- generally perform such other acts as a mortgage loan administrator would perform in the administration of the Partnership's investments and the related property. Under the Mortgage Origination and Capital Raising Agreement, RIC will have the exclusive right, during the term of the Agreement, to present, underwrite and
syndicate all Authorized Investments for acquisition by the Partnership and to manage the Partnership’s investments.

RIC has agreed to fulfill the role and provide the services set out in the Mortgage Origination and Capital Raising Agreement in a diligent good faith manner to the best of its ability. RIC has further agreed to service the Partnership’s portfolio of Authorized Investments in the same manner, and with the same care, skill, prudence and diligence, with which it services and administers its current Mortgage loans and to exercise reasonable business judgment in accordance with applicable law to maximize recovery under the Partnership’s investments.

**Capital Raising Services**

Pursuant to the Mortgage Origination and Capital Raising Agreement, subject to the overriding authority of the Trustees over the management and affairs of the Fund, RIC is required to perform various activities (see Licensing and Legislative Regime – Securities Activities) for the Fund, including, without limitation:

- undertaking all activities necessary for the Fund to complete each tranche of funding or capital raising in compliance with applicable Canadian securities laws including preparation of all required disclosure documents, ensuring all potential investors are appropriate investors for the Fund, completing the closing of each tranche of issuance of Units and generally acting as intermediary in dealings between investors and the Fund for the purpose of effecting investments in the Fund;

- providing advice on the structuring of each tranche of capital raising requested by the Fund;

- providing assistance on behalf of the Fund in connection with the Fund’s dealings with other investment dealers, institutions and investors regarding sales of securities of the Fund, if applicable;

- conducting relations on behalf of the Fund with other persons, including brokers, consultants, lenders, accountants, lawyers, appraisers, insurers and insurance agents to ensure that all disclosure documents utilized by the Fund contain full, true and plain disclosure of all material information relating to the Fund and the Partnership;

- preparation of periodic reports and other information required to be sent to Unitholders as well as ensuring that all calculations and determinations of all allocations, designations and elections are made in connection with the income and capital gains of the Fund for tax and accounting purposes; and

- administering, on behalf of the Fund, the payment of distributions from the Fund and supervising the processing and registration of subscriptions for and redemption of Units.

**RIC’s Irrevocable Option to Purchase**

Notwithstanding any other provision of the Mortgage Origination and Capital Raising Agreement, the Partnership has granted to RIC the irrevocable right at any time to purchase a Partnership investment for a purchase price equal to Partnership’s percentage interest in the principal amount of such Mortgage plus any accrued interest payable thereon calculated as at the end of business on the day immediately preceding the purchase date, less all accrued costs and expenses relating to the Partnership.

**Mortgage Origination Fees**

In consideration of the performance of the Mortgage Origination Services under the Mortgage Origination and Capital Raising Agreement, RIC is entitled to a fee (the "Mortgage Origination Fee") in an amount equal to 0.67% per annum of the outstanding principal balance of all of the Mortgage Portfolio plus 0.67% per annum of the fair market value of any other non-mortgage Partnership investments beneficially owned or held directly or indirectly by the Partnership. Such fee shall be calculated daily, aggregated and paid in monthly installments on the last day of each month. The Mortgage Origination Fee may be paid to RIC by the Partnership or by way of deduction from payments received directly by RIC from borrowers pursuant to such Mortgage loans. The Mortgage Origination Fee
for any partial month will be pro rated based upon the number of days in such month in respect of which the Mortgage Origination Fee is being paid.

In addition, RIC will be entitled to all lender, broker, origination, commitment, renewal, extension, discharge, participation, NSF and administration fees ("Lender/Broker Fees") generated on the Authorized Investments it arranges and presents to the Partnership.

The following chart sets out the Mortgage Origination Fees paid to RIC and the Lender/Broker Fees generated on the Authorized Investments arranged and presented to the Partnership by RIC since the inception of the Fund.

<table>
<thead>
<tr>
<th>Period ended</th>
<th>Mortgage Origination Fee*</th>
<th>Lender/Broker Fees**</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2013</td>
<td>$5.2</td>
<td>$7.7</td>
</tr>
<tr>
<td>December 31, 2012</td>
<td>8.6</td>
<td>12.0</td>
</tr>
<tr>
<td>December 31, 2011</td>
<td>6.5</td>
<td>7.2</td>
</tr>
<tr>
<td>December 31, 2010</td>
<td>4.9</td>
<td>5.5</td>
</tr>
<tr>
<td>December 31, 2009</td>
<td>5.0</td>
<td>4.5</td>
</tr>
<tr>
<td>December 31, 2008</td>
<td>4.7</td>
<td>7.0</td>
</tr>
<tr>
<td>December 31, 2007</td>
<td>3.8</td>
<td>6.4</td>
</tr>
<tr>
<td>December 31, 2006</td>
<td>2.3</td>
<td>6.0</td>
</tr>
</tbody>
</table>

* For the period ended June 30, 2013, Mortgage Origination Fee equal to (i) 1.0% per annum of the outstanding principal balance of all Mortgages in the Mortgage portfolio, plus (ii) 1.0% per annum of the fair market value of any other non-mortgage Partnership investments beneficially owned or held directly or indirectly by the Partnership, payable to RIC by the Partnership pursuant to the Original Mortgage Management Agreement. For the period commencing July 1, 2013, Mortgage Origination Fee equal to (i) 0.67% per annum of the outstanding principal balance of all Mortgages in the Mortgage portfolio, plus (ii) 0.67% per annum of the fair market value of any other non-mortgage Partnership investments beneficially owned or held directly or indirectly by the Partnership, payable to RIC by the Partnership pursuant to the Mortgage Origination and Capital Raising Agreement. The reduction in the Mortgage Origination Fee is offset exactly by the Capital Raising Fee payable by the Fund to RIC. See Mortgage Origination and Capital Raising Agreement – Capital Raising Fee.

** Lender, broker, origination, commitment, funding, portfolio acquisition, renewal, extension, discharge, participation, NSF and administration fees earned on Authorized Investments arranged by RIC and presented to the Partnership. Generally, Lender/Broker Fees are in the range of 2% to 3% of the loan amount, although, in certain circumstance (for example, where a borrower requires a loan on an expedited basis) the fee can be higher. Acquisition fees include RIC charges to the Partnership for brokering and originating the acquisition of a portfolio of existing loans, calculated as 2.0% of the loan portfolio.

The Mortgage Origination Fees and Lender/Broker Fees payable to RIC under the Mortgage Origination and Capital Raising Agreement are commensurate with fees paid to other entities providing similar services and to the fees charged by RIC for similar services provided to its other clients. The obligations of the Partnership to RIC are secured by the Partnership General Security Agreement. The Fund guarantees payment of the amounts owing to RIC from time to time by the Partnership under the terms of the Mortgage Origination and Capital Raising Agreement. Under the terms of the Guarantee, RIC is required to take reasonable steps to exercise its remedies against the Partnership before exercising its rights under the Guarantee. The Guarantee is secured by the Fund General Security Agreement. See Material Agreements.

Select information regarding Mortgage Origination Fees and Lender/Broker Fees will be updated and disclosed in the Quarterly Report.

**Capital Raising Fees**

In consideration of the performance of the Capital Raising Services under the Mortgage Origination and Capital Raising Agreement, RIC is entitled to a fee (the "Capital Raising Fee") in an amount equal to 0.33% per annum of
the outstanding principal balance of all of the Mortgage Portfolio plus 0.33% per annum of the fair market value of any other non-mortgage Partnership investments beneficially owned or held directly or indirectly by the Partnership. Such fee shall be calculated daily, aggregated and paid in monthly installments on the last day of each month. The Capital Raising Fee may be paid to RIC by the Fund or by way of deduction from payments received directly by RIC to the extent such payments would otherwise be paid to the Partnership and distributed by the Partnership to the Fund. The Capital Raising Fee for any partial month will be pro rated based upon the number of days in such month in respect of which the Capital Raising Fee is being paid. Prior to July 1, 2013, the Fund did not pay any fees to RIC in respect of Capital Raising Services provided. The payment of the Capital Raising Fee to RIC by the Fund is directly offset by the reduction of Mortgage Origination Fees paid to RIC by the Partnership. There is no change in the aggregate percentage fee payable to RIC in connection with services it provides to the Fund and the Partnership.

Under the Mortgage Origination and Capital Raising Agreement, RIC is responsible for the employment expenses of its personnel, including but not limited to, salaries, wages and the cost of employee benefit plans and temporary help expenses, expenses of the Trustees who are directors, officers or employees of RIC or an Affiliate of RIC (except expenses incurred in attending meetings of Trustees or a committee appointed by the Trustees), costs associated with the sourcing and arranging of eligible investments for presentation to the Partnership, rent, telephone, utilities, office furniture and supplies, equipment and machinery and other office expenses of RIC and miscellaneous administrative expenses relating to the performance by RIC of its functions under the Mortgage Origination and Capital Raising Agreement.

**Liability and Indemnity**

RIC will only be liable to the Partnership, the General Partner or the Fund or anyone claiming by, through or under any of them, or to any successor or assign of the Partnership, the General Partner, the Fund or anyone claiming by, through or under any of them by reason of acts constituting bad faith, willful misconduct or gross negligence in respect of its duties under the Mortgage Origination and Capital Raising Agreement. Each of the Partnership and the Fund has agreed to indemnify and hold harmless RIC, as well as its directors, officers, shareholders, employees, Affiliates and agents, from and against any and all liabilities, losses, claims, damages, penalties, actions, suits, demands, costs and expenses including, without limiting the foregoing, reasonable legal fees and expenses, arising from or in connection with any actions or omissions which RIC takes: (i) with respect to the Partnership, as mortgage originator under the Mortgage Origination and Capital Raising Agreement; or (ii) with respect to the Fund, as agent under the Mortgage Origination and Capital Raising Agreement, provided that such action or omission is taken, or not taken, in good faith and without willful misconduct or gross negligence or is taken pursuant to and is in compliance with that agreement. This indemnity will survive the removal or resignation of RIC in connection with any and all of its duties and obligations under the Mortgage Origination and Capital Raising Agreement.

**Term and Termination**

The Mortgage Origination and Capital Raising Agreement continues in force until terminated in accordance with its provisions. The Mortgage Origination and Capital Raising Agreement is terminable: (i) with reference to the Mortgage Origination Services, by the Partnership; or (ii) with reference to the Capital Raising Services, by the Fund, as the case may be, on 12 months notice or at any time upon the occurrence of an Event of Termination on the part of RIC as set out in the Mortgage Origination and Capital Raising Agreement. The Mortgage Origination and Capital Raising Agreement is terminable by RIC: (i) with reference to the Mortgage Origination Services provided to the Partnership’ or (ii) with reference to Capital Raising Services provided to the Fund, as the case may be, at any time upon the occurrence of an Event of Termination on the part of the Partnership or the Fund, as applicable, or upon six months prior written notice to the General Partner or the Trustees, as applicable. Upon termination with reference to the Mortgage Origination Services, and for a period of six months following the effective date of termination, RIC is entitled, upon at least five days written notice to the General Partner, to repurchase or a portion of the Partnership's investments existing as at the effective date of termination, in its sole discretion, from the Partnership within 60 days of such notice for an amount, payable in cash or by way of set-off against amounts owing by the Partnership to RIC, equal to the outstanding principal balance of, or the Partnership’s percentage interest in, such Partnership investments plus interest accrued thereon up to the date immediately preceding the purchase date in respect of such Partnership investments. Upon the termination of the Mortgage Origination and Capital Raising Agreement: (i) by the Partnership, with reference to the Mortgage Origination Services; or (ii) by
the Fund, with reference to the Capital Raising Services, (other than for cause or following the notice period set out in the agreement) or upon termination by RIC upon the occurrence of an Event of Termination, the Partnership or the Fund, as applicable, will forthwith pay to RIC an amount equal to: (i) in the case of the Partnership, 1.34%; or (ii) in the case of the Fund, 0.66%, of the fair market value of the Partnership’s assets under administration on the date on which RIC receives a notice of termination under the Mortgage Origination and Capital Raising Agreement in addition to any other amounts which are due and owing to RIC by the Partnership or the Fund, as applicable, up to and including the day immediately preceding the effective date of the termination of the Mortgage Origination and Capital Raising Agreement. These amounts will be satisfied by the payment of cash, in interests in Mortgages or in such combination thereof as determined by RIC.

Acknowledgements

The Partnership acknowledges that RIC, or its directors, officers, shareholders, employees and Affiliates, may purchase with their own funds and own as a co-lender, a percentage interest in an investment that RIC presents to the Partnership for acquisition and that RIC may also sell undivided percentage interests in such investments to other co-lenders. The Partnership also acknowledges that RIC may hold a subordinated portion in a Mortgage which is presented to the Partnership and the rate of return on such subordinated portion may vary from the Partnership’s rate of return on the basis of the incremental risk assumed in connection with subordinated portion in a Mortgage. The Partnership also consents to and acknowledges, among other things, that: (i) while RIC, its directors and officers have committed a significant amount of their time and attention to the business of the Partnership, RIC, its director, officers and their respective Affiliates may from time to time engage in other business activities, including business activities which may compete directly or indirectly with the Partnership; (ii) RIC may, from time to time, charge Lender/Broker Fees and all of such fees will be and remain the sole property of RIC; and (iii) RIC is under no obligation to make payments to the Partnership under the Mortgage Origination and Capital Raising Agreement in respect of an Authorized Investment unless and until payments are received by RIC from the borrower or other applicable person in respect of the Authorized Investment in any particular month. See Management of the Fund and Risk Factors.

FUND PERFORMANCE

The Fund’s audited annual financial statements for the period ended December 31, 2012 and unaudited interim financial statements for the period ended June 30, 2013 are available on the Fund’s website at: www.romspen.com.

The following table illustrates the dollar value of Mortgages held by the Partnership as of December 31 annually and related annual growth rates in the size of the Mortgage Portfolio since 2006 (select information regarding the dollar value of Mortgages held by the Partnership and related annual growth rates in the size of the Mortgage Portfolio will be updated and disclosed in the Quarterly Report):

<table>
<thead>
<tr>
<th>Year</th>
<th>2006*</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages ($millions)</td>
<td>300.3</td>
<td>422.9</td>
<td>493.6</td>
<td>485.7</td>
</tr>
<tr>
<td>Annual Growth</td>
<td>88%</td>
<td>41%</td>
<td>17%</td>
<td>(3%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages ($millions)</td>
<td>522.8</td>
<td>758.6</td>
<td>1,007.1</td>
<td>1039.9</td>
</tr>
<tr>
<td>Annual Growth</td>
<td>8%</td>
<td>45%</td>
<td>33%</td>
<td>3%</td>
</tr>
</tbody>
</table>

* From January 16, 2006, the date of inception, to December 31, 2006
** For the six month period ended June 30, 2013

For a table illustrating the dollar value of mortgages under administration by RIC as of December 31 annually and annual growth rates in the size of the mortgage portfolio since 1996, see RIC.
The following is the Fund distribution, return* and unit value history since its inception in early 2006 (select information regarding Fund distributions, returns and unit values will be disclosed in the Quarterly Report):

### 2013

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution per Unit</td>
<td>$0.18</td>
<td>$0.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit Value, at Quarter End</td>
<td>$9.92</td>
<td>$9.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Return*</td>
<td>7.6%</td>
<td>7.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 2012

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution per Unit</td>
<td>$0.19</td>
<td>$0.19</td>
<td>$0.18</td>
<td>$0.18</td>
</tr>
<tr>
<td>Unit Value, at Quarter End</td>
<td>$9.92</td>
<td>$9.91</td>
<td>$9.92</td>
<td>$9.92</td>
</tr>
<tr>
<td>Annual Return*</td>
<td>8.1%</td>
<td>8.0%</td>
<td>7.8%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

### 2011

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution per Unit</td>
<td>$0.20</td>
<td>$0.20</td>
<td>$0.20</td>
<td>$0.19</td>
</tr>
<tr>
<td>Unit Value, at Quarter End</td>
<td>$9.93</td>
<td>$9.93</td>
<td>$9.92</td>
<td>$9.92</td>
</tr>
<tr>
<td>Annual Return*</td>
<td>8.6%</td>
<td>8.5%</td>
<td>8.4%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

### 2010

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution per Unit</td>
<td>$0.21</td>
<td>$0.21</td>
<td>$0.21</td>
<td>$0.21</td>
</tr>
<tr>
<td>Unit Value, at Quarter End</td>
<td>$9.95</td>
<td>$9.94</td>
<td>$9.93</td>
<td>$9.92</td>
</tr>
<tr>
<td>Annual Return*</td>
<td>8.7%</td>
<td>8.7%</td>
<td>8.7%</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

### 2009

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution per Unit</td>
<td>$0.21</td>
<td>$0.21</td>
<td>$0.21</td>
<td>$0.21</td>
</tr>
<tr>
<td>Unit Value, at Quarter End</td>
<td>$9.98</td>
<td>$9.97</td>
<td>$9.96</td>
<td>$9.94</td>
</tr>
<tr>
<td>Annual Return*</td>
<td>9.5%</td>
<td>9.2%</td>
<td>8.8%</td>
<td>8.7%</td>
</tr>
</tbody>
</table>
2008

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution per Unit</td>
<td>$0.25</td>
<td>$0.24</td>
<td>$0.24</td>
<td>$0.22</td>
</tr>
<tr>
<td>Unit Value, at Quarter End</td>
<td>$9.99</td>
<td>$9.98</td>
<td>$9.98</td>
<td>$9.97</td>
</tr>
<tr>
<td>Annual Return*</td>
<td>10.5%</td>
<td>10.4%</td>
<td>10.3%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

2007

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution per Unit</td>
<td>$0.25</td>
<td>$0.25</td>
<td>$0.25</td>
<td>$0.25</td>
</tr>
<tr>
<td>Unit Value, at Quarter End</td>
<td>$9.99</td>
<td>$10.00</td>
<td>$9.99</td>
<td>$9.98</td>
</tr>
<tr>
<td>Annual Return*</td>
<td>10.4%</td>
<td>10.5%</td>
<td>10.5%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

2006

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution per Unit</td>
<td>$0.20</td>
<td>$0.24</td>
<td>$0.25</td>
<td>$0.26</td>
</tr>
<tr>
<td>Unit Value, at Quarter End</td>
<td>$9.99</td>
<td>$10.00</td>
<td>$10.01</td>
<td>$9.99</td>
</tr>
<tr>
<td>Annual Return*</td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.1%</td>
<td>10.3%</td>
</tr>
</tbody>
</table>

*Annual return at each quarter end is the compounded rate of return to investors over the trailing twelve month period. As the Fund was established January 16, 2006, annual returns for the first three quarters of 2006 are based on annualizing year-to-date results at each quarter-end.

In general, the Fund's return has gradually declined over this period, reflecting overall lower prevailing interest rates in the economy and the decision by Fund management not to accrue interest on certain Mortgage loans where interest collectability or timing is uncertain. RIC considers this to be a prudent and conservative approach to accounting for loans where the outcome and timing is subject to a number of indeterminate variables.

For a table illustrating the average annual compounded rate of return to investors calculated under cash basis accounting on the syndicated mortgage portfolio administered by RIC prior to 2006. See RIC - Past Performance.

**MATERIAL AGREEMENTS**

The following is a list of the material agreements, other than contracts entered into in the ordinary course of business, entered into by the Fund:

- Declaration of Trust;
- Mortgage Origination and Capital Raising Agreement;
- Partnership General Security Agreement;
- Guarantee; and
- Fund General Security Agreement.
DESCRIPTION OF UNITS

Description of Units

Units are subject to the terms and conditions of the Declaration of Trust. The statements in this Offering Memorandum concerning the Declaration of Trust are intended to be only a summary of the provisions of the Declaration of Trust and do not purport to be complete. A copy of the Declaration of Trust will be provided to each prospective Subscriber on request in writing to the Trustees. Prior to executing a Subscription Agreement, each prospective Subscriber should review with his, her or its advisors the provisions of the Declaration of Trust for the complete details of these provisions and all other provisions thereof. All capitalized terms in this section not otherwise defined herein shall have the meaning as set out in the Declaration of Trust.

The Fund is an unincorporated closed-end investment trust created pursuant to the Declaration of Trust and governed by the laws of the Province of Ontario. See Fund.

Units

The beneficial interests in the Fund are divided into one class of interests, described and designated as "Units", which are entitiled to the rights and subject to the limitations, restrictions and conditions set out in the Declaration of Trust. The Fund may issue an unlimited number of Units. Each Unitholder's interest in the Fund is determined by reference to the number of Units held. Each Unit ranks equally with all other outstanding Units without discrimination, preference or priority. Units may be issued by the Fund at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine in their sole discretion and, without limiting the generality of the foregoing, the Trustees may, subject to applicable securities laws, authorize the payment of a commission or other fee to any person, including, specifically, the Trustees, RIC and its directors, officers, employees, subsidiaries, Affiliates and Associates, in consideration of such person purchasing or agreeing to purchase Units from the Fund or for finding, procuring or agreeing to find or procure purchasers of Units. The Trustees may also, subject to applicable securities laws, authorize and allow commercially reasonable discounts to persons, including, specifically, RIC and its directors, officers, employees, subsidiaries, Affiliates and associates, in consideration of their subscribing or agreeing to subscribe for Units, or agreeing to produce subscriptions therefore, whether absolute or conditional. The Trustees may also create and issue rights, warrants (including so-called "special warrants" which may be exercisable for no additional consideration), subscription receipts, installment receipts, exchangeable securities, options or other securities to purchase, convert, redeem or exchange into Units or other securities of the Fund (including, without limitation, debt convertible into Units or other securities of the Fund) on such terms and conditions, for such consideration or for no consideration, exercisable at such subscription price or prices and at such time or times as the Trustees in their sole discretion may determine. Such rights, warrants, options or other securities will not be a Unit and the holder thereof will not be a Unitholder. Upon any issue of Units, the name of the purchaser will promptly be recorded in the Unit register as the owner of the number of Units issued to such purchaser, or if the purchaser is already a Unitholder, the register will be amended to include such additional Units.

Fractions of Units will not be issued except pursuant to distributions of additional Units to all Unitholders and distributions of additional Units to those Unitholders exercising the right to purchase additional Units in accordance with the Declaration of Trust. In the event that Unit Certificates are issued, no certificates will be issued for fractional Units. Fractional Units will not entitle the holders thereof to a vote. The Trustees may in their sole discretion without Unitholder approval, create one or more additional classes of units of the Fund, as and when they see fit, with each such class of units being comprised of such number of units and having such rights and being subject to such limitations, restrictions and conditions as the Trustees deem advisable notwithstanding that such rights may be more favourable or rank in priority to any one or more classes of the units including, without limitation, the Units, then in existence or may have limitations, restrictions and conditions less onerous than those of any one or more classes of the units including, without limitation, the Units, then in existence.
Rights and Characteristics of the Units

Each Unit confers the right to one vote on any resolution of Unitholders, whether conducted at a meeting of Unitholders or in writing. All Units outstanding from time to time will participate pro rata in any distributions from the Fund and, in the event of a termination or winding-up of the Fund, in the net assets of the Fund remaining after satisfaction of, or provision for, all liabilities. No person is entitled, as a matter of right, to subscribe for or purchase any Unit. There are no conversion, retraction, redemption or pre-emptive rights attaching to the Units other than as specifically set out in the Declaration of Trust and described below in this Offering Memorandum.

The legal ownership of the assets of the Fund and the right to conduct the affairs of the Fund are vested exclusively in the Trustees and the Unitholders will have no interest therein other than as described above. Unitholders will have no right to compel any partition, division or distribution of the Fund or any of the assets of the Fund. The Units are personal property and confer upon the holders thereof only the interest and rights specifically set forth in the Declaration of Trust. A Unit may be transferred by a Unitholder or his agent duly authorized in writing, to any other person, to the transferor and one or more other persons jointly, or by two or more joint holders to one or some of them to the extent permitted under the Declaration of Trust and only in compliance with all applicable securities and other laws unless, as a result of the transfer, the Fund will cease to qualify as a "mutual fund trust" or a "unit trust" as defined in the Tax Act. See Resale Restrictions.

Distribution Reinvestment Right

Subject to all applicable securities and other laws and the right of the Trustees to suspend or terminate such right in accordance with the Declaration of Trust, a Unitholder who is an "accredited investor" under applicable securities laws has the right at any time and from time to time to purchase additional Units using the cash distributions allotted and payable to the Unitholder on account of the Units held by the Unitholder from time to time in accordance with the terms outlined in the Declaration of Trust.

Trustee Redemption Rights

The Trustees may in their sole discretion at any time, by providing a written redemption notice to a Unitholder, redeem all or any of the Units held by such Unitholder at a price per Unit to be redeemed equal to the Fair Market Value of the Unit(s) to be redeemed, calculated as at the Valuation Date immediately preceding the redemption date (the "Calculation Time"), plus the pro rata share of any unpaid distributions thereon which have been declared payable to Unitholders but remain unpaid as at the Calculation Time to the extent same are not otherwise included in the Fair Market Value of the Unit(s) to be redeemed. As set out in the Declaration of Trust, the redemption date is set by the Trustees and will be a date that is not less than one or more than 60 days from the date of the redemption notice, all in accordance with the conditions set out in the Declaration of Trust. From and after the date of the redemption notice, the holder of the Units to be redeemed will be entitled to exercise any of the rights of a Unitholder in respect thereof until the redemption price has been paid in full.

Unitholder Redemption Rights

Each Unitholder is entitled to require the Fund to redeem at any time and from time to time at the demand of the Unitholder all or any part of the Units registered in the name of the Unitholder at the prices determined and payable, and in accordance with the conditions, provided in the Declaration of Trust. There will be a redemption date ("Redemption Date") established each month pursuant to the terms of the Declaration of Trust. The monthly Redemption Date will be the 15th day of each and every month. If the 15th day of the month is not a Business Day, the Redemption Date for that month will be the next succeeding Business Day. In order to exercise this right, a Unitholder must send to the Trustees a duly completed and properly executed Notice in a form approved by the Trustees, requiring the Fund to redeem the Unit(s) and forwarding the Unit Certificate(s) representing the Unit(s) to be redeemed, if applicable. The Notice must be received 30 days before the Redemption Date to be considered for that particular Redemption Date. If 30 days' notice is not given, the Trustees will not be required to consider redeeming the Unit(s) until the next subsequent Redemption Date. No form or manner of completion or execution is sufficient unless the same is in all respects satisfactory to the Trustees and is accompanied by any evidence that the Trustees may reasonably require with respect to the identity, capacity or authority of the person giving such Notice.
The Trustees shall be entitled in their sole discretion to accelerate the Redemption Date specified by the Unitholder in the Notice.

As of the Redemption Date, the Unitholder will not cease to have any rights with respect to the Units tendered for redemption until the Unit Redemption Price therefore (as defined below), plus the pro rata share of any unpaid distributions declared thereon and paid prior to the Redemption Date has been paid in full. Units will be considered to be tendered for redemption on the Redemption Date, provided that the Trustees have, to their satisfaction, received the Notice, together with the Unit Certificate(s) representing the Units to be redeemed and other required documents or evidence as aforesaid; and subject to the following paragraph below, the holder of a Unit properly tendered for redemption will be entitled to receive a price per Unit equal to the Fair Market Value of the Unit to be redeemed calculated at the Valuation Date immediately preceding the Redemption Date, plus the pro rata share of any unpaid distributions thereon which have been declared payable to Unitholders but remain unpaid as at the Redemption Date to the extent same are not otherwise included in the Fair Market Value of the Unit(s) to be redeemed (the "Unit Redemption Price").

The Unit Redemption Price for Units tendered for redemption will be reduced by an amount equal to up to 2% of the original purchase price of the Units, if such Units are redeemed within the first year following the Closing at which such Units were subscribed for. Subject to the provisions set out in the following paragraphs, the Unit Redemption Price payable in respect of Unit(s) tendered for redemption will be paid in cash by direct deposit or cheque, drawn on a Canadian bank or trust company in Canadian dollars or deposited to the account of the registered Unitholder of the Unit tendered for redemption, or payable or deposited as otherwise instructed in writing by such registered Unitholder. Cash payments of the Unit Redemption Price made by the Fund are conclusively deemed to have been made when deposited by direct deposit or upon the mailing of a cheque in a postage pre-paid envelope addressed to the payee unless such cheque is dishonoured upon presentment. Upon such payment as set out herein or otherwise in accordance with the Declaration of Trust, the Trustees and the Fund will be discharged from all liability to the former registered Unitholder in respect of the Units so redeemed.

All Notices shall be time and date stamped on receipt by the Fund. The Fund will not pay the Unit Redemption Price in cash as set out above on a particular Redemption Date if the aggregate number of Units properly tendered for redemption (the "Tendered Units") by Unitholders (the "Tendering Unitholders") for which the Unit Redemption Price remains unpaid, exceeds 1% of the total number of Units outstanding on such Redemption Date. Cash payments being paid pursuant to Notices shall be paid in order of receipt of such Notices with the intent that Redemption Prices shall be paid out in order of receipt of Notices. Payments shall be made to a maximum of 1% of the aggregate Fair Market Value of Units outstanding on the Valuation Date immediately preceding any Redemption Date. Those Units for which Notices have been received but not paid out on any given Redemption Date shall maintain their order of priority until the Unit Redemption Price for such Unit(s) has been paid in full. Additionally, the Trustees shall be entitled in their sole discretion to extend the time for payment of any Unit Redemption Prices, if in the reasonable opinion of the Trustees such payment would be materially prejudicial to the interests of the remaining Unitholders in the Fund.

In the extraordinary circumstance where the number of Tendered Units on any given Redemption Date exceeds 3% of the total number of Units outstanding on such Redemption Date, the Trustees are entitled in their sole discretion to modify or suspend Unitholder redemption rights. Specifically, if the extraordinary circumstance referenced above occurs, the Trustees are entitled, in their sole discretion, to implement one of the following measures:

- **Discounted Redemptions** - The Trustees shall give notice to Tendering Unitholders that their Tendered Units shall be redeemed on the next Redemption Date at a redemption price discounted by a discount factor to be determined by the Trustees in their sole discretion, acting reasonably. In determining the discount factor, the Trustees may consider such factors as market prices for similar investments that are traded on a stock exchange in Canada, the variation inherent in any estimates used in the calculation of the Fair Market Value of the Units to be redeemed, the liquidity reasonably available to the Fund and general economic conditions in Canada. Unitholders may choose to retract their redemption request upon receiving notice from the Trustees of a discounted redemption, however, Unitholders who retract will be prohibited from redeeming the Tendered Units to which their retraction applies for a period of up to 12 months following the date the discounted redemptions are processed. This provision is meant to put the Fund on an equal
footing with public companies and income trusts which are able to buyback their shares/units when the
board of directors/trustees feel such shares/units are undervalued in the market.

- **Temporary Suspension of Redemptions** - The Trustees shall give notice to all Unitholders that normal
course redemption rights are suspended for a period of up to six months. Issuance of a suspension notice by
Trustees will have the effect of canceling all pending redemption requests. At the end of the suspension
period, the Trustees may call a special meeting of Unitholders to approve an extension of the suspension
period, failing which normal course redemptions will resume.

On May 22, 2009, Tendered Units represented approximately 5.8% of the total number of Units outstanding. In
accordance with the Declaration of Trust, the Trustees exercised their discretion to issue a discount redemption
notice to Tendering Unitholders citing a discount factor of 25%. All Tendering Unitholders at that time exercised
their right to retract their redemption request. Other than as referenced above, the Trustees have not exercised their
right to modify or suspend redemption rights.

**Take-Over Bid Provisions**

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for Units within the
meaning of the Ontario Act and not less than 90% of the Units (other than Units held at the date of the take-over bid
by or on behalf of the offeror or Associates or Affiliates of the offeror) are taken up and paid for by the offeror, the
offeror will be entitled to acquire the Units held by Unitholders who did not accept the offer on the original terms
offered by the offeror.

**Unitholder Liability**

The Declaration of Trust provides that no Unitholder or Annuitant will be held to have any personal liability as such,
and no resort will be had to, nor will recourse or satisfaction be sought from, the private property of any Unitholder
or Annuitant for any liability whatsoever, in tort, contract or otherwise, to any Person in connection with the Fund
property or the affairs of the Fund, including, without limitation, for satisfaction of any obligation or claim arising
out of or in connection with any contract or obligation of the Fund or of the Trustees or any obligation which a
Unitholder or Annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the
Trustee as such, but rather the assets of the Fund only are intended to be liable and subject to levy or execution for
satisfaction of such liability. Each Unitholder and Annuitant under a plan of which a Unitholder acts as trustee or
carrier will be entitled to be reimbursed out of the assets of the Fund in respect of any payment of a Fund obligation
which such Unitholder or Annuitant is required to make. The Fund is the sole limited partner of the Partnership, with
the goal of providing enhanced liability protection for Unitholders. As a result of this structure, no business
operation will be conducted by the Fund with the intent that the liability of the Fund be limited to its capital
contribution as a limited partner in the Partnership.

The Declaration of Trust further provides that certain written instruments signed by the Fund shall contain a
provision or be subject to an acknowledgement to the effect that such obligation will not be binding personally upon
Unitholders or upon any annuitants. No personal liability will attach under the laws of the Province of Ontario to
Unitholders or annuitants for contract claims under any written instrument disclaiming personal liability.

Notwithstanding the above, to the extent that claims are not satisfied by the Fund, there is a risk that a Unitholder or
Annuitant will be held personally liable for obligations of the Fund where the liability is not disclaimed in the
contracts or arrangements entered into by the Fund with third parties. Personal liability may also arise in respect of
claims against the Fund that do not arise under contracts, including claims in tort, claims for taxes and certain other
statutory liabilities. The possibility of any personal liability of this nature arising is considered by the Fund's
management to be remote due to the nature of the Fund's activities. In the event that payment of a Fund obligation is
required to be made by a Unitholder, such Unitholder is entitled to reimbursement from the available assets of the
Fund.
**Distribution Policy**

It is the Fund’s current intention to distribute 100% of the Distributable Cash on an on-going basis. With respect to each Distribution Record Date, the Trustees intend to declare payable to the persons who are Unitholders of record on that Distribution Record Date all of the Distributable Cash for the Distribution Period that includes such Distribution Record Date. Each Unit’s proportionate share of the amount of such Distributable Cash will be determined by dividing such amount by the number of issued and outstanding Units on such Distribution Record Date. Each Unitholder’s share of such Distributable Cash will be based upon the number of Units owned of record by each such Unitholder on such Distribution Record Date. Subject to certain specific provisions in the Declaration of Trust, such Distributable Cash will be paid to such Unitholders on the Distribution Date. Distributable Cash may be estimated whenever the actual amount has not been fully determined, which estimate will be adjusted as of the subsequent Distribution Date when the amount of Distributable Cash for the Distribution Period in question has been fully determined.

**Additional Distributions**

In addition to the distribution of Distributable Cash, the Trustees may declare to be payable and make distributions, from time to time, out of Fund Income, Net Capital Gains, the capital of the Fund or any other amounts received or held by the Fund in any year, in such amount or amounts, and on such dates as the Trustees may determine, and all such distributions payable to Unitholders pursuant to the Declaration of Trust will be deemed to be distributions of Fund Income, Net Capital Gains, trust capital or other items in such amounts as the Trustees, will, in their absolute discretion, determine.

Having regard to the present intention of the Trustees to allocate, distribute and make payable to Unitholders all of the Fund Income, a sufficient amount of the Net Capital Gains and any other applicable amounts so that the Fund will not have any liability for tax under Part I of the Tax Act in any taxation year (other than tax on Net Capital Gains that would be recoverable by it with respect to the relevant taxation year), the following amounts will, without any further actions on the part of the Trustees, be due and payable to Unitholders of record at the close of business on December 31 in each year: (i) an amount equal to the amount, if any, by which the Fund Income for such year exceeds the aggregate of the distributions made by the Fund out of Fund income pursuant to the Declaration of Trust in such year; (ii) an amount equal to the amount, if any, by which the Net Capital Gains for such year exceeds the aggregate of the distributions made by the Fund out of Net Capital Gains pursuant to the Declaration of Trust in such year; and (iii) provided that, to the extent that tax respecting Net Capital Gains will be recoverable by the Fund with respect to the relevant taxation year or other tax refunds or credits will be so recoverable, such deemed distribution amount will be reduced so as to cause the Fund to accrue Net Capital Gains or other Fund Income in the amount required to recover such tax or credits, and further provided that in the event any such amounts are uncertain as at December 31 of the relevant taxation year, the amount of such deemed distribution will be estimated by the Trustees in their sole discretion at that time to maximize the Fund’s tax recoveries.

Such amounts will be paid to Unitholders on or before January 15 of the immediately following year, provided, however; that such amounts may be estimated whenever the actual amount has not been fully determined, which estimate will be adjusted as of the subsequent Distribution Date when such amount in question has been fully determined. As it is intended that the Fund Income and the Net Capital Gains for each taxation year of the Fund be distributed to Unitholders in respect of the taxation year so that the Fund will not be liable for income tax under Part I of the Tax Act for the taxation year (after taking into account any capital gains refunds or any other tax refunds or credits to which the Fund may be entitled), if there is any change in the treatment under the Tax Act of the Fund Income or the Net Capital Gains or other amount which would frustrate this intention, then, notwithstanding any provision of the Declaration of Trust and without notice to, or the vote or assent of the Unitholders, or any amendment to the Declaration of Trust, the Trustees may alter the method of calculation of the Fund Income and Net Capital Gains and the character, amount and method of distributions to Unitholders set out in the Declaration of Trust for the purpose of minimizing the taxes payable by the Fund and/or the Unitholders. In addition to the distributions which are made payable to Unitholders, the Trustees may designate any income or capital gain realized by the Fund as a result of the redemption of Units to the redeeming Unitholders in accordance with the Declaration of Trust.
In accordance with and to the extent permitted by the Tax Act, the Trustees in each year will make designations in respect of the amounts payable to Unitholders for such amounts that the Trustees consider to be reasonable in all of the circumstances, including, without limitation, designations relating to taxable dividends received by the Fund in the year on shares of taxable Canadian corporations, net capital gains realized by the Fund in the year and foreign source income of the Fund for the year, as well as elections under subsections 104(13.1) and/or (13.2) of the Tax Act that income be taxed to the Fund, rather than to the Unitholders. For greater certainty, any distributions of Net Capital Gains will include the non-taxable portion of the capital gains of the Fund which are encompassed in such distribution.

Method of Payment of Distributions

Distributions will be made by direct deposit or by such other manner of payment approved by the Trustees from time to time. A payment will be conclusively deemed to have been made to a Unitholder upon the Fund receiving confirmation from the financial institution(s) it deals with from time to time that a direct deposit has been made to the order of such Unitholder in accordance with the bank account information provided to the Fund by such Unitholder.

If, in respect of any distribution or other payment to be made by the Fund to a Unitholder pursuant to the Declaration of Trust, the Trustees determine that the Fund does not have cash in an amount sufficient to pay some or all of such distribution or payment in cash, the Trustees may, subject to compliance with applicable laws and receipt of all required regulatory approvals, make such distribution or payment by way of Units or notes having a value equal to the cash shortfall, in which case the amount of cash to be distributed will be reduced by the amount of such cash shortfall, and which notes will be issued on such terms as are determined by the Trustees in their sole discretion at the time of issue of the notes.

The value of each Unit issued as set out above will be deemed to be equal to the Fair Market Value of the Units outstanding as of the last Business Day of the calendar month immediately preceding their issuance. Subject to the provisions of the Declaration of Trust, the number of Units calculated to be issued in accordance with this paragraph will be rounded down to the nearest whole Unit and the value of any fractional Units determined to be payable to a Unitholder hereunder will be paid in cash on the Distribution Date in question or the immediately following Distribution Date at the Trustees' discretion, provided that in any event, such amount will be paid to the Unitholder on or before December 31 in each year. In the Trustees sole discretion, immediately after a pro rata distribution of such Units or notes to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units may be consolidated so that each Unitholder not subject to withholding tax will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. Each such Unit Certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Each Unitholder has the legal right to enforce payment of any amount payable to such Unitholder as a result of any distribution which is declared payable to such Unitholder pursuant to the Declaration of Trust.

The Trustees may change any Distribution Date or Distribution Record Date at any time, subject to having given the Unitholders not less than 30 days prior written notice, and upon compliance with any requirements of applicable law.

Withholding Tax

The Trustees may deduct or withhold amounts required by law respecting a Unitholder's distributions or other payments under the Declaration of Trust. If withholding taxes are exigible on any distributions (including distributions of Units) or redemption or other amounts paid under the Declaration of Trust and the Trustees are, or were, unable to withhold taxes from a particular amount paid to a Unitholder or have not otherwise withheld taxes on past amounts paid to the Unitholder, the Trustees will be permitted to: (i) withhold such amounts from other amounts payable to such Unitholder; or (ii) sell such number of Units owned by, and on behalf of, such Unitholder at a price equal to the Fair Market Value of such Units calculated as at the end of business on the last Business Day of the month prior to the month in which the sale takes place as are necessary to satisfy the Trustees' withholding tax obligations in respect of such Unitholder and all of the Trustees' reasonable expenses with respect thereto. Upon such sale, the affected Unitholder will cease to be the holder of such Units.
Meetings of Unitholders

The Declaration of Trust provides that there will be an annual meeting of the Unitholders at such time and place as the Trustees prescribe for the purpose of electing Trustees, appointing auditors of the Fund and transacting such other business as the Trustees may determine or as may properly be brought before the meeting. The annual meeting of Unitholders will be held within 180 days after the end of each fiscal year of the Fund or such later date (not to exceed 15 months from the date of the most recently held annual meeting) as the Trustees may determine, subject to compliance with all applicable regulatory requirements, if any. The Fund has engaged Computershare Investor Services Inc. to provide annual general meeting services. A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the holders of not less than 25% of the Units then outstanding. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxy need not be a Unitholder.

Any action to be taken by the Unitholders will, except as otherwise required by the Declaration of Trust or by law, be authorized when approved by Ordinary Resolution. The chairperson of any such meeting will not have a second or casting vote. To the extent permitted by applicable law, the Trustees may from time to time make, vary or revoke such regulations as they think fit providing for and governing the depositing and tabulation of proxies by telephonic, electronic or other communication means. Other than as specifically provided for in the Declaration of Trust and subject to the limitations set out therein, Unitholders will be entitled to pass resolutions that will bind the Fund only with respect to the following matters: (a) the election or removal of a Trustee; (b) the appointment or removal of auditors of the Fund; (c) certain amendments to the Declaration of Trust; (d) those matters listed in the Declaration of Trust as requiring approval by Special Resolution; and (e) the termination of the Fund in accordance with the Declaration of Trust.

The Declaration of Trust further provides that, subject to all applicable legal and regulatory requirements, a resolution consented to in writing, by the required majority, whether by facsimile or any other method of transmission of legibly recorded messages or other means, is as valid and effectual as if the resolution had been passed at a meeting of Unitholders or Trustees, including committee meetings, duly called and held.

Limitation on Non-Resident Ownership

It is the intention of the Trustees to cause the Fund at all times to qualify as a "unit trust" and a "mutual fund trust" under the provisions of subsection 108(2) and subsection 132(6) of the Tax Act. If non-residents of Canada within the meaning of the Tax Act ("Non-Residents") become the beneficial owners of more than 49% of the Units in certain circumstances, this could cause the Fund to cease to qualify as a "unit trust" and "mutual fund trust". As a result, the Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware that the beneficial owners of 49% or more of the Units then outstanding are, or may be, Non-Residents or that such a situation is imminent, and if its "unit trust" or "mutual fund trust" status is threatened by such Non-Resident ownership, the Trustees will not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration in form and content satisfactory to the Trustees that the person is not a Non-Resident. If notwithstanding the foregoing, the Trustees determine that more than 49% of the Units are held by Non-Residents, subject to all applicable securities and other laws, the Trustees may send a notice to Non-Resident holders of Units (the "Affected Holders"), chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof to the Fund or to a person who is not a Non-Resident, in the Trustees discretion, within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees may on behalf of such Unitholders sell such Units and, in the interim, will suspend the voting and distribution rights attached to such Units.

Upon such sale, the Affected Holders will cease to be holders of Units and their rights will be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Units. Unless and until the Trustees are required to do so under the terms of the Declaration of Trust, the Trustees are not bound to do or take any proceeding or action with respect to Non-Resident Unitholders by virtue of the powers conferred on them by the
Declaration of Trust. The Trustees will not be deemed to have notice of any violation unless and until they have been given actual notice of such violation and will act only as required by the Declaration of Trust once an indemnity is provided by the Fund. The Trustees are not required to actively monitor the foreign holdings of the Fund. It is acknowledged that the Trustees cannot monitor the Non-Resident holders of the Units where the Units are registered in the name of a broker or other similar intermediary. The Trustees will not be liable for any violation of the non-resident ownership restriction which may occur during the term of the Fund.

Register

The Register will be kept by, or on behalf of and under the direction of the Trustees, which Register will contain the names and addresses of Unitholders, the respective numbers of Units held by them, the certificate numbers of the certificates representing such Units, if applicable, and a record of all transfers thereof. The Trustees may appoint one or more persons, banks or trust companies to act as transfer agents and to act as registrars for the Units and may provide for the transfer of Units in one or more places within Canada. The Register will at all reasonable times be open for inspection by the Trustees.

Only persons whose Units are recorded on the Register are entitled to vote, receive distributions or otherwise exercise or enjoy the rights of Unitholders. The Trustees will have the right to treat the person registered as a Unitholder on the Register of the Fund as the owner of such Units for all purposes, including, without limitation, payment of any distribution, giving notice to Unitholders and determining the right to attend and vote at meetings of Unitholders and the Trustees will not be bound to recognize any transfer, pledge or other disposition of a Unit or any attempt to transfer, pledge or dispose of a Unit, or any beneficial interest or equitable or other right or claim with respect thereto, whether or not the Trustees will have actual or other notice thereof until such Unit has been transferred on the Register of the Fund as herein provided.

Unit Certificates

Each Unitholder or his duly authorized agent is entitled to a certificate bearing an identifying number in respect of the Units held by him and signed in the manner prescribed in the Declaration of Trust, but the Trustees are not bound to issue more than one certificate in respect of a Unit or Units held jointly or in common by two or more persons, and delivery of a certificate to one of them will be sufficient delivery to all. Notwithstanding the foregoing, it is the Fund's current administrative policy to issue a certificate to a Unitholder only upon receiving a written request for a certificate. The Trustees may establish a reasonable fee to be charged for every certificate issued or re-issued as the case may be. Notwithstanding the preceding paragraph, Units purchased by a Unitholder pursuant to the exercise of the Reinvestment Right will be recorded on the Register in respect of that Unitholder. Unless a Unit Certificate representing such Units is otherwise requested by a Unitholder, a Unit Certificate in respect of whole Units only will be issued annually or on termination of the Reinvestment Right or its exercise in accordance with the Declaration of Trust. In the event that any Unit Certificate is lost, stolen, destroyed or mutilated, the Trustees may authorize the issuance of a new Unit Certificate for the same number of Units in lieu thereof. The Trustees may, but need not, in their sole discretion, before the issuance of such new Unit Certificate, require the owner of the lost, stolen, destroyed or mutilated certificate, or the legal representative of the owner, to make such affidavit or statutory declaration, setting forth such facts as to the loss, theft, destruction or mutilation as the Trustees deem necessary and may require the applicant to provide to the Fund a "lost certificate bond" or similar bond in such reasonable amount as the Trustees direct, indemnifying the Fund and its agents for so doing.

The Trustees have the power to acquire from an insurer or insurers a blanket lost security bond or bonds in respect of the replacement of lost, stolen, destroyed or mutilated Unit Certificates. The Trustees may establish a reasonable fee to be charged for every replacement Unit Certificate. Unit Certificates representing any number of Units may be exchanged, upon payment of any fees required at the time with respect thereof, for Unit Certificates representing an equivalent number of Units in the aggregate. Where any Unit Certificate is registered in more than one name, the distributions (if any) in respect thereof may be paid to the order of all such holders failing written instructions from them to the contrary and such payment will be a valid discharge to the Trustees and any transfer agent of the Fund. In the case of the death of one or more joint holders, the distributions (if any) in respect of any Units may be paid to the survivor or survivors of such holders and such payment will be a valid discharge to the Trustees and any transfer agent of the Fund.
Information and Reports

By March 31st in each year, subject to compliance with applicable laws, the Trustees will forward to each Unitholder who was shown on the Register as a Unitholder at the end of the immediately preceding fiscal period such prescribed forms as are needed for the completion of Unitholders’ tax returns under the Tax Act and equivalent provincial legislation. By June 30th in each year, subject to compliance with applicable laws, the Trustees will make available to each Unitholder who was shown on the Register as a Unitholder at the end of the immediately preceding fiscal period an annual report for the immediately preceding fiscal period containing: (i) audited financial statements of the Fund as at the end of and for the fiscal period, with comparative financial statements as at the end of and for the immediately preceding fiscal period, if any; and (ii) such other information as, in the opinion of the Trustees, is material to the activities of the Fund. A copy of such materials will be provided to a Unitholder upon request in writing to the Trustees.

Also, prior to each meeting of Unitholders, the Trustees will provide to each Unitholder, together with the notice of the meeting, a form of proxy which can be used by a Unitholder to appoint a proxy, who need not be a Unitholder, to attend and act at the meeting on behalf of the Unitholder, in the manner and to the extent authorized by the proxy and all information required by applicable law.

The Fund will maintain at its principal office or at any other place in Canada designated by the Trustees, records containing: (i) the Declaration of Trust; (ii) minutes of meetings and resolutions of Unitholders; (iii) the Trustees' regulations (if any); and (iv) a copy of the Register. The Fund will also prepare and maintain adequate accounting records and records containing minutes of meetings and resolutions of the Trustees and any committee thereof subject to all applicable privacy and access to information laws in effect from time to time, a Unitholder may examine the Declaration of Trust and any amendments thereto, any regulations adopted by the Trustees in accordance with the Declaration of Trust, the minutes of meetings and resolutions of Unitholders and any other documents or records which the Trustees, in their sole discretion, determine should be available for inspection by such persons, during normal business hours at the principal office of the Fund.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended by the Trustees in their sole discretion without the consent, approval or ratification of the Unitholders or any other Person:

(a) as specifically set out in the Declaration of Trust; or

(b) at any time for the purpose of:

(i) ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental or other authority having jurisdiction over the Trustees, the Fund or its assets, including, without limitation, maintaining its status as a "mutual fund trust" and a "unit trust" under the Tax Act;

(ii) complying with specific requests and requirements of any underwriter, sponsor, regulatory authority or stock exchange having jurisdiction over the Trustees, the Fund or its assets during the process of, and if required to facilitate, an initial public offering of securities of the Fund or its Affiliates, or during the process of, and if required to facilitate, a listing of the securities of the Fund or its Affiliates on a stock exchange or other trading market, provided that such amendments are determined by the Trustees in their sole discretion, having regard to their duties and standard of care hereunder, to be in the best interests of the Unitholders;

(iii) providing additional protection for Unitholders, as determined by the Trustees in their sole discretion;

(iv) removing any conflicts or inconsistencies in the Declaration of Trust or making minor corrections which are, in the opinion of the Trustees or counsel to the Fund, necessary or desirable and not prejudicial to the Unitholders;
(v) making amendments which, in the opinion of the Trustees or counsel to the Fund, are necessary or desirable and in the interests of the Unitholders, as a result of changes in Canadian taxation laws;

(vi) making amendments which are required or, in the opinion of the Trustees or counsel to the Fund, are necessary or desirable to facilitate the creation and existence or operation of an additional class or classes of Units of the Fund as contemplated in the Declaration of Trust;

(vii) making amendments which are required or, in the opinion of the Trustees or counsel to the Fund, are necessary or desirable to facilitate a change of the Fund's name as contemplated in the Declaration of Trust; and

(viii) making amendments for any purpose which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to Unitholders (which, for greater certainty, exclude amendments in respect of which Unitholder approval is specifically otherwise required under the Declaration of Trust);

but notwithstanding the foregoing and subject to the Trustees ability to create additional classes of Units in accordance with the Declaration of Trust, no such amendment will: (i) modify the right to one vote per Unit; (ii) result in a Unit representing less than an equal undivided interest in any distributions from the Fund or in the net assets of the Fund in the event of a termination or winding up of the Fund without the consent of the holders of Units then outstanding by Special Resolution; or (iii) reduce the percentage of votes required to pass an Ordinary Resolution or a Special Resolution.

**Matters Requiring Approval by Special Resolution**

Other than as expressly stated in the Declaration of Trust, none of the following will occur unless the same has been approved by a Special Resolution of Unitholders:

(a) any amendment to the items requiring approval by Special Resolution;

(b) any amendment to the Declaration of Trust to reduce or remove a right with respect to any outstanding Units of the Fund;

(c) any amendment to the term or termination provisions of the Fund;

(d) any amendment relating to the powers, duties, rights, obligations, liabilities or indemnification of the Trustees; or

(e) any merger of the Fund with another trust or other person (other than as part of an internal reorganization of the assets of the Fund approved by the Trustees).

As soon as is practicable after the making of any material amendment to the Declaration of Trust, the Trustees will notify each Unitholder in writing of the substance of such material amendment.

**Term and Termination of the Fund**

Unless sooner terminated as provided in the Declaration of Trust, the Fund will continue until no property of the Fund is held by the Trustees. Unitholders may terminate the Fund by Special Resolution, following which the Trustees will commence to wind up the affairs of the Fund. In the event of a termination of the Fund, after paying, retiring or discharging, or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees will distribute the cash forming part of the Fund assets together with, subject to obtaining all necessary regulatory approvals, the non-cash Fund assets in specie among the Unitholders in accordance with their pro rata interests.
Reporting Obligations of the Fund

The Fund is not a reporting issuer and is therefore not subject to most of the continuous reporting obligations imposed on reporting issuers by securities legislation in the jurisdiction in which this Offering is being made. Audited financial statements will be made available to Unitholders annually. In addition, Unitholders will be given a quarterly statement of account and will also be given notice of and be entitled to attend and vote at any meetings of the Unitholders of the Fund.

PARTNERSHIP AGREEMENT

Partnership Units are subject to the terms and conditions of the Partnership Agreement. The statements in this Offering Memorandum concerning the Partnership Agreement are intended to be only a summary of the provisions of the Partnership Agreement and do not purport to be complete. A copy of the Partnership Agreement will be provided to each Unitholder upon a request in writing for same being made to the Trustees. All capitalized terms in this section not otherwise defined herein shall have the meaning as set out in the Partnership Agreement.

The Fund is the sole limited partner in the Partnership.

Management of the Partnership

Under the terms of the Partnership Agreement, 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 and, except as otherwise provided by the Partnership Agreement, the General Partner will have all power and authority, for and on behalf of and in the name of the Partnership, to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary for or incidental to carrying on the business of the Partnership.

Capitalization and Contributions

The capital of the Partnership consists of an unlimited number of Partnership Units. The Fund will subscribe for Partnership Units on the basis of one Partnership Unit for each $10.00 of net proceeds from the Offering. The Fund will be entitled to the allocation of income, gain and loss, and to share in distributions in respect of each Partnership Unit held, all as set forth in the Partnership Agreement.

Liability of Partners

The General Partner and its officers, directors, employees, Affiliates and any person contracted by the General Partner in accordance with the Partnership Agreement will not be liable to a Limited Partner for any act, judgment, decision or omission that does not constitute actual fraud, gross negligence or willful misconduct. Subject to the provisions of the Limited Partnership Act (Ontario), the liability of a limited partner for the debts, liabilities and obligations of the Partnership will be limited to the amount of its capital account and, in respect of each Partnership Unit held by such limited partner, undistributed income, if any, any repayment of capital and any distributions of income to the extent capital is reduced, with interest, if any, and a limited partner will not as such otherwise be liable for any further claim, assessment or contribution to the Partnership. The limitation of the liability of a limited partner will be lost if the limited partner takes part in the management of the business of the Partnership. See Risk Factors.

Fiscal Year

The fiscal year of the Partnership ends on December 31 of each year.

Voting Rights and General Meetings

The General Partner may at any time call a meeting of Limited Partners and will call such a meeting on receipt of a written request from Limited Partners holding in the aggregate twenty-five percent (25%) or more of all Partnership
Units outstanding, stating sufficiently for compliance with the notice provisions the purpose for which the meeting is to be held. Each Limited Partner will be entitled to one vote for each Partnership Unit held by such Limited Partner. The General Partner will not as such be entitled to vote at any meeting of Limited Partners, but if the General Partner or an Affiliate is the holder of a Partnership Unit then the General Partner or the Affiliate will be entitled to vote in respect of the Partnership Unit. A resolution consented to in writing by the required majority, whether by document, telegram, telex or any other method of transmission of legibly recorded messages or other means, is as valid and effectual as if the resolution had been passed at a meeting of the limited partners duly called and held. Such resolution may be in two or more counterparts which together will be deemed to constitute one resolution in writing.

In addition to all other powers conferred on them by the Partnership Agreement, the Limited Partners may by Extraordinary Resolution: (i) subject to other provisions of the Partnership Agreement, remove the General Partner; (ii) require the General Partner on behalf of the Partnership to enforce any obligation or covenant on the part of any Limited Partner; (iii) with the consent of the General Partner, subdivide or consolidate the Partnership Units; (iv) amend, modify, alter or repeal any Extraordinary Resolution; and (v) approve the dissolution of the Partnership.

**Calculation of Distributable Cash and Taxable Income or Tax Loss**

The General Partner may, in its sole discretion, make such determinations of distributable cash and/or taxable income or tax loss of the Partnership for any period or as at any date. Notwithstanding the preceding sentence; however, within 90 days after the end of each fiscal period of the Partnership the General Partner will determine the taxable income or tax loss for such fiscal period, which determination will be binding upon the Partnership. In computing the taxable income or tax loss of the Partnership for any period, the Partnership will have the sole discretion to utilize or not utilize such deductions, provisions and alternate calculations available under the Tax Act, including without limitation, discretion as to timing and amount, in respect of operating expenses and discretionary deductions.

**Allocation of Profits and Losses**

The distributable cash and taxable income or tax loss of the Partnership for financial and income tax purposes will be allocated, after eliminating any losses carried forward from past years: (i) 99.999% to the Limited Partners; and (ii) 0.001% to the General Partner to a maximum of $100.00 per annum. Except where otherwise expressly provided in the Partnership Agreement, where any amount is to be allocated or distributed among Limited Partners without regard to class, such amount will be allocated or distributed among the Limited Partners holding Partnership Units in accordance with the total number of Partnership Units outstanding at the date of such allocation, distribution, payment or contribution, as the case may be, equally in respect of each Partnership Unit.

**Distributions**

In its discretion, the General Partner may from time to time cause the Partnership to distribute amounts to the Limited Partners either as returns of capital or otherwise. Distributions will be allocated to the Limited Partners as set out above. No distribution of funds of the Partnership will be made which would, in the opinion of the General Partner, result in the Partnership having insufficient working capital or reserves, and the General Partner is expressly authorized to deduct from the funds which might otherwise be available for distribution to the Limited Partners, amounts sufficient to maintain reasonable and adequate working capital and reserves for the Partnership. All distributions will be made by cheque or direct deposit.

**Power of Attorney**

To facilitate the administration of the Partnership, each Limited Partner is required to irrevocably nominate, constitute and appoint the General Partner as his agent and true and lawful attorney to act on his behalf with full power and authority in his name, place and stead to execute, under seal or otherwise, swear to, acknowledge, deliver and file or record when, as and where required certain documents and matters listed in the Partnership Agreement.
**Amendment of Partnership Agreement**

The Partnership Agreement may be amended by the General Partner if such amendment is authorized by Ordinary Resolution, but no amendment may be made which in any manner allows any Limited Partner to take part in the management of, or exercise control over, the business of the Partnership; which reduces the interest in the Partnership of any Limited Partner; which changes the right of a limited partner, so entitled, to vote at any meeting of Limited Partners; or which changes the Partnership from a limited partnership to a general partnership and, except for the removal of the General Partner, if the amendment adversely affects the rights or interests of the General Partner, the amendment is approved by the General Partner.

In addition to the above, the General Partner may amend the Partnership Agreement in certain circumstances enumerated in the Partnership Agreement without the consent or approval at the time of any Limited Partner (each Limited Partner, by acquiring a Partnership Unit, being deemed to consent to any amendment). All Limited Partners will be notified of the full details of any amendment to the Partnership Agreement by the General Partner within 30 days after the effective date of such amendment.

**Resignation Bankruptcy or Dissolution and Removal of the General Partner**

The General Partner may resign as such on not less than 30 days written notice to all Limited Partners, such resignation to be effective upon the earlier of: (i) 30 days after notice is so given; and (ii) the admission of a new General Partner by Ordinary Resolution, provided that the General Partner will not resign if the effect of the resignation would be to dissolve the Partnership. The General Partner, by agreeing to be bound by the Partnership Agreement, will be deemed to resign as a General Partner on the bankruptcy, dissolution, liquidation or winding-up of the General Partner, or the commencement of any act or proceeding in connection therewith which is not contested in good faith by the General Partner, or the appointment of a trustee, receiver or receiver-manager of the affairs of the General Partner, but, if the General Partner is the sole General Partner of the Partnership, such resignation will not be effective until, and the General Partner will not cease to be a General Partner until, the earlier of: (i) the admission of a new General Partner by Ordinary Resolution; and (ii) 180 days after notice of the occurrence of such event or appointment is given to the Limited Partners.

The Limited Partners by Extraordinary Resolution may remove the General Partner and substitute another as General Partner upon the happening of a material breach by the General Partner of any of its duties or obligations under the provisions of the Partnership Agreement, which breach remains un-remedied for a period in excess of 120 days from the date of receipt of notice to remedy such breach from any limited partner.

**Dissolution of the Partnership**

The Partnership will be dissolved on the earliest of: (i) December 31, 2055, unless extended with the approval of the Partners expressed by Extraordinary Resolution; (ii) a date determined and approved by the General Partner and authorized by Extraordinary Resolution; or (iii) the date, as confirmed by the General Partner, upon which the Partnership disposes of all of its assets, and otherwise ceases to carry on an active business.

**CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

**General**

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this Offering. This summary is applicable to a Unitholder who, for the purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada, acquires and holds the Units as capital property, deals at arm's length and is not affiliated with the Fund and is not exempt from tax under Part I of the Tax Act. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Unitholders who might not otherwise be considered to hold Units as
capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Units and any other "Canadian Security", as defined in the Tax Act, owned by such Unitholder in the taxation year in which the election is made and in subsequent taxation years, deemed to be capital property. Unitholders who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Unitholder: (i) that is a "financial institution" for purposes of the "mark-to-market" rules; (ii) an interest in which is a "tax shelter" or "tax shelter investment"; (iii) that is a "specified financial institution"; or (iv) that has elected to determine its Canadian tax results in a foreign currency pursuant to the "functional currency" reporting rules in the Tax Act; as each term is defined in the Tax Act. Any such Unitholder should consult its own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units. In addition, this summary does not address the deductibility of interest by an investor who has borrowed money to acquire units under this Offering, and assumes that no Unitholder has entered into or will enter into a "derivative forward agreement" (as that term is defined in proposed amendments to the Tax Act contained in a Notice of Ways and Means Motions that accompanied the federal budget tabled by the Minister of Finance (Canada) on March 21, 2013) with respect to the Units.

This summary is based upon the facts set out in this Offering Memorandum, the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals") and the Trustees' understanding, based on publicly available published materials as of the date hereof, of the current published administrative policies and assessing practices of the CRA. This summary assumes that any Tax Proposals will be enacted in the form proposed; however, no assurance can be given that any Tax Proposals will be enacted in the form proposed, if at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and, except for the Tax Proposals, does not take into account any changes in the law, whether by legislative, governmental or judicial action, or any changes in the administrative policies and assessing practices of the CRA or any changes in the administrative policies and assessing practices of the CRA. There can be no assurance that the CRA will not change its administrative policies or assessing practices. This summary does not take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is based upon the assumption that the Fund will, at all times, qualify as a "mutual fund trust" within the meaning of the Tax Act. Further, this summary is based on the assumption that the SIFT Rules (defined below) will not apply to the Fund or the Partnership.

THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR UNITHOLDER, AND NO REPRESENTATIONS WITH RESPECT TO THE INCOME TAX CONSEQUENCES TO ANY PARTICULAR UNITHOLDER ARE MADE. THE INCOME AND OTHER TAX CONSEQUENCES OF ACQUIRING, HOLDING OR DISPOSING OF UNITS WILL VARY DEPENDING ON A UNITHOLDER'S PARTICULAR STATUS AND CIRCUMSTANCES, INCLUDING THE PROVINCE OR TERRITORY IN WHICH THE UNITHOLDER RESIDES OR CARRIES ON BUSINESS. ACCORDINGLY, PROSPECTIVE UNITHOLDERS SHOULD CONSULT WITH THEIR TAX ADVISORS FOR ADVICE WITH RESPECT TO THE TAX CONSEQUENCES TO THEM HAVING REGARD TO THEIR OWN PARTICULAR CIRCUMSTANCES.

Mutual Fund Trust Status

This summary is based on the assumption that the Fund will qualify, at all times, as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act.

To qualify as a "mutual fund trust" at any particular time, a trust must meet the following conditions:

(a) the trust must be a "unit trust" (as defined in the Tax Act) resident in Canada;
(b) the only undertaking of the trust must be limited to the investing of funds in property (other than real property or an interest in real property), or the acquiring, holding, maintaining, improving, leasing or managing of real property (or an interest in real property) that is capital property of the trust, or any combination of such activities; and

c) the trust must comply with certain prescribed requirements including that the trust units be qualified for distribution to the public and that at all relevant times there must be no fewer than 150 beneficiaries of the trust, each of whom holds at least one block of trust units having an aggregate fair market value of not less than $500.00 each (for these purposes, if the fair market value of a unit is less than $25.00, a block of units means 100 units).

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-resident persons. This summary assumes that the Fund was not established and is not maintained primarily for the benefit of non-resident persons. The Trustees are of the view that this assumption is reasonable in light of the restrictions on ownership of Units by non-residents, which are contained in the Declaration of Trust. See Description of Units – Limitation on Non-Resident Ownership for more information.

If the Fund does not qualify or ceases to qualify as a "mutual fund trust", the income tax considerations would, in some respects, be materially and adversely different from those described below. See Risk Factors – Mutual Fund Trust Status.

**SIFT Rules**

The Tax Act contains rules (the "SIFT Rules") which tax certain publicly-traded or listed trusts and partnerships in a manner similar to corporations and which tax certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation.

Pursuant to the SIFT Rules, a SIFT trust cannot deduct any part of the amounts payable to unitholders in respect of (i) aggregate net income from businesses it carries on in Canada; (ii) aggregate net income (other than taxable dividends received by the SIFT trust) from its non-portfolio properties; and (iii) aggregate net taxable capital gains from its disposition of non-portfolio properties. Distributions which a SIFT trust is unable to deduct will be taxed in the SIFT trust at rates of tax designed to emulate the combined federal and provincial corporate tax rates. Generally, distributions that are paid as returns of capital will not attract this tax.

Distributions of a SIFT's income that are not deductible to the SIFT will be treated as dividends payable to unitholders from a taxable Canadian corporation. Such dividends deemed to be received by an individual (other than certain trusts) will be included in computing the individual's income for tax purposes and will be subject to the enhanced gross-up and dividend tax credit rules normally applicable to eligible dividends received from taxable Canadian corporations. Such dividends deemed to be received by a holder that is a corporation generally will be deductible in computing the corporation's taxable income, and generally will qualify as "eligible dividends" for purposes of computing a Canadian resident corporation's "general rate income pool" or "low rate income pool" (each as defined in the Tax Act). Certain corporations, including "private corporations" or "subject corporations" (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act of 33 1/3% on dividends received or deemed to be received to the extent that such dividends are deductible in computing taxable income.

A trust or partnership will be a SIFT trust or a SIFT partnership, respectively, if, among other conditions, investments in the trust or partnership are listed or traded on a stock exchange or other public market. The SIFT Rules will not apply to the Fund or the Partnership provided that no unit, security or other interest in the Fund or the
Partnership is listed or traded on a stock exchange or other public market. The Trustees do not intend to list Units of the Fund, and the General Partner does not intend to list any interest in the Partnership, on a stock exchange or other public market. This summary assumes that the SIFT Rules will not apply to the Fund or the Partnership.

**Taxation of the Fund**

The Fund will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains and its allocated share of income of the Partnership for its fiscal period ending on or before the year-end of the Fund, less the portion thereof that it deducts in respect of amounts paid or payable to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount.

The Fund will generally not be subject to tax on any amounts received as distributions from the Partnership. Generally, distributions to the Fund in excess of its allocated share of the income of the Partnership for a fiscal year will result in a reduction of the adjusted cost base of the Fund's Partnership Units by the amount of such excess. If, as a result, the Fund's adjusted cost base at the end of a taxation year of its Partnership Units would otherwise be a negative amount, the Fund would be deemed to realize a capital gain equal to the negative adjusted cost base and the Fund's adjusted cost base at the beginning of the next taxation year of its Partnership Units would then be reset to zero.

In computing its income for purposes of the Tax Act, the Fund may generally deduct reasonable administrative costs, interest and other expenses of a current nature incurred by it for the purpose of earning income. Generally, the Fund may also deduct on a five-year straight line basis (subject to pro-ration for short taxation years) reasonable expenses incurred by it in the course of issuing Units.

Generally, under the Declaration of Trust, the Fund is required to distribute or make payable its net income for tax purposes for each taxation year of the Fund to Unitholders to such an extent that the Fund will not be liable in any taxation year for income tax under Part I of the Tax Act on such net income (after taking into account any applicable losses of the Fund). Income of the Fund payable to Unitholders, whether in cash or otherwise, will generally be deductible by the Fund in computing its income.

Losses incurred by the Fund (including losses allocated to the Fund by the Partnership and capable of being deducted by the Fund) cannot be allocated to Unitholders, but may be deducted by the Fund in future years in accordance with the detailed rules and limitations in the Tax Act.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund's tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units.

The Mortgage Portfolio may include Mortgages that are not denominated in Canadian dollars. Proceeds of disposition of Mortgages, distributions, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars at the exchange rate prevailing on the date of the transaction in accordance with the rules in the Tax Act. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

The Fund may derive income (including gains) from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid does not exceed 15% of such income and has not been deducted in computing the Fund's income, the Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a corresponding portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund's income from such investments, such excess may generally be deducted by the Fund in computing its income for the purposes of the Tax Act.
**Taxation of the Partnership**

Generally, each partner of the Partnership, including the Fund, is required to include in computing the partner's income, the partner's share of the income (or loss) of the Partnership for the Partnership's fiscal year ending in, or coincidentally with, the partner's taxation year end, whether or not any such income is distributed to the partner in the taxation year. For this purpose, the income or loss of the Partnership will be computed for each fiscal year as if the Partnership was a separate person resident in Canada. In computing the income or loss of the Partnership, deductions may generally be claimed in respect of its administrative and other expenses (including interest in respect of the debt of the Partnership, if any) incurred for the purpose of earning income from business or property to the extent the outlays are not capital in nature and do not exceed a reasonable amount.

The income or loss of the Partnership for a fiscal year will be allocated to the partners of the Partnership, including the Fund, on the basis of their respective share of such income or loss as provided in the Partnership Agreement, subject to the detailed rules in the Tax Act. Generally, distributions to partners in excess of the income of the Partnership for a fiscal year will result in a reduction of the adjusted cost base of the partner's units in the Partnership by the amount of such excess, as described above.

**Taxation of Unitholders**

A Unitholder will generally be required to include in computing income for a particular taxation year the portion of the net income for tax purposes of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year (and that the Fund deducts in computing its income), whether such portion is received in cash or otherwise. Any loss of the Fund for purposes of the Tax Act cannot be allocated to, or be treated as a loss of, the Unitholder.

Provided that appropriate designations are made by the Fund, such portion of the net taxable capital gains, the foreign source income of the Fund and taxable dividends received or deemed to be received on shares of taxable Canadian corporations as are paid or payable, or deemed to be paid or payable, to a Unitholder, will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as having been paid to Unitholders out of the net taxable capital gains of the Fund, such designated amounts will be deemed for tax purposes to be received by Unitholders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains. See the discussion in Taxation of Capital Gains and Capital Losses below. To the extent that amounts are designated as having been paid to Unitholders out of taxable dividends received or deemed to be received on shares of taxable Canadian corporations, the normal (or in the case of eligible dividends, the enhanced) gross-up and dividend tax credit rules will apply to individuals, the deduction in computing taxable income will be available to corporations, and the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are "private corporations" or "subject corporations" (as such terms are defined in the Tax Act). Unitholders should consult their own tax advisors for advice with respect to the potential application of these provisions.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income and net taxable capital gains of the Fund that is paid or payable, or deemed to be paid or payable, by the Fund to a Unitholder in that year will generally not be included in the Unitholder's income for the taxation year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds of disposition or deemed disposition of Units or any part thereof), the Unitholder will generally be required to reduce the adjusted cost base of the Unitholder's Units by that amount (except to the extent it represents the Unitholder's share of the non-taxable portion of the net realized capital gains of the Fund for the year, the taxable portion of which was designated by the Fund in respect of the Unitholder). To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder and the adjusted cost base of the Unit to the Unitholder will immediately thereafter be nil. Refer to the discussion of Taxation of Capital Gains and Capital Losses below.
**Purchasers of Units by Unitholders**

Since the net income of the Fund will be distributed on an on-going basis, a purchaser of a Unit may become taxable on a portion of the net income or capital gains of the Fund accrued or realized by the Fund in a period before the time the Unit was purchased but which was not paid or made payable to Unitholders until after the time the Unit was purchased. A similar result may apply on an annual basis in respect of a portion of income or capital gains accrued or realized by the Fund in a year before the time the Unit was purchased but which is paid or made payable to Unitholders at year end and after the time the Unit was purchased.

For the purposes of determining the adjusted cost base of a Unit to a Unitholder, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before that time.

**Disposition of Units**

In general, a disposition or deemed disposition of a Unit, whether on a redemption or otherwise, will give rise to the realization of a capital gain (or a capital loss) equal to the amount by which the Unitholder's proceeds of disposition of the Unit exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit to the Unitholder and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Fund that is otherwise required to be included in the Unitholder's income. Refer to the discussion of Taxation of Capital Gains and Capital Losses below.

The adjusted cost base of a Unit to a Holder will include all amounts paid by the Unitholder for the Unit, subject to certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income (including net capital gains) will be the amount of income (together with the applicable non-taxable portion of the net capital gains) distributed by the issue of those respective Units. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before the acquisition.

The consolidation of Units of the Fund will not result in a disposition of Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's Units will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

**Taxation of Capital Gains and Capital Losses**

One-half of the amount of any capital gain (a "taxable capital gain") realized by a Unitholder on a disposition of a Unit and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder will generally be included in the Unitholder's income for the year. One-half of the amount of any capital loss (an "allowable capital loss") sustained by the Unitholder on the disposition of a Unit must generally be deducted by such Unitholder against taxable capital gains for the year. Any excess allowable capital losses over taxable capital gains of the Unitholder for that year may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years, subject to the detailed provisions of the Tax Act.

The amount of any capital loss otherwise realized by a Unitholder that is a corporation or a trust (other than a mutual fund trust) on the disposition of a Unit may be reduced by the amount of dividends received by the Fund and previously designated by the Fund to the Unitholder except to the extent that a loss on a previous disposition of a Unit has been reduced by such amounts. Similar rules may apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units. Unitholders to whom these rules may be relevant should consult their own tax advisors.

**Alternative Minimum Tax**

In general terms, income of the Fund that is paid or becomes payable to a Unitholder that is an individual (other than certain trusts) that is designated as net taxable capital gains and taxable capital gains realized on the disposition of Units by such Unitholder may increase the Unitholder's liability for alternative minimum tax.
Special Tax on Certain Corporations

A Unitholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% in respect of its "aggregate investment income" (as defined in the Tax Act), including taxable capital gains.

Eligibility for Investment

Based on the current provisions of the Tax Act, provided that the Fund qualifies as a "mutual fund trust" within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for trusts governed by, among others, RRSPs and RRIFs (collectively, "Registered Plans") and will continue to be qualified investments on an ongoing basis through adherence to the Fund’s mandated investment policies set out in the Declaration of Trust.

Notwithstanding that the Units may be qualified investments for a Registered Plan, the Annuitant will be subject to a penalty tax if the Units are a "prohibited investment" for the Registered Plan. A Unit will generally be a "prohibited investment" if the Annuitant of the Registered Plan: (i) does not deal at arm's length with the Fund for purposes of the Tax Act; (ii) has a "significant interest" (within the meaning of the Tax Act) in the Fund; or (iii) has a "significant interest" (within the meaning of the Tax Act) in a corporation, partnership or trust with which the Fund does not deal at arm's length for purposes of the Tax Act. Proposed amendments to the Tax Act released on December 21, 2012 (the "December 2012 Proposals") propose to delete the condition in (iii) above. In addition, pursuant to the December 2012 Proposals, the Units will generally not be a "prohibited investment" if the Units are "excluded property" (as defined in the December 2012 Proposals). Annuitants of a Registered Plan should consult with their own tax advisors in regards to the application of these rules in their particular circumstances.

OFFERING

Offering

The Offering is for a maximum of 50,000,000 Units at a price of $10.00 per Unit. Each Unit represents an undivided beneficial interest in the assets of the Fund, which will principally be comprised of indirect interests in Conventional First Mortgage loans. See Investment Strategy.

The Units are being offered in reliance on certain exemptions from the prospectus requirements available under the securities laws of the Offering Provinces and the United States.

The proceeds of the Offering may not be sufficient to accomplish all of the Fund's proposed objectives. In addition to alternate financing sources, the Fund may conduct future offerings of Units in order to raise additional funds, which will result in a dilution of the interests of Unitholders in the Fund. There is no assurance that the required financing will be available on terms acceptable to the Fund or at all.

All subscriptions are subject to acceptance by the Fund. See Subscription Procedure. The Fund will not generally accept any subscription for less than $150,000 or 15,000 Units. The Fund will not accept any subscription unless the sale of Units to the Subscriber would qualify as an exempt distribution under applicable securities laws. See Subscription Qualification.

Additional Information

Prospective Subscribers should address any questions they have regarding the business and financial condition of the Fund and the terms and conditions of this Offering to representatives of RIC, as agent for the Fund, and request such data as may be necessary to enable the prospective Subscriber to make an informed investment decision. Furthermore, upon receipt of a written request, RIC, as agent for the Fund, will provide copies of documents referred to in this Offering Memorandum to the extent such documents are in RIC's possession or can be acquired by RIC without unreasonable effort or expense.
Use of Proceeds

The expenses of this Offering are estimated at $100,000, including advertising, legal and accounting costs and printing. The Fund intends to use the net proceeds of the Offering to subscribe for additional Partnership Units thereby allowing the Partnership to have the capital to make future Mortgage investments which are consistent with the Partnership’s investment and operating policies. See Investment and Operating Policies of the Partnership.

Subscription Qualification

The Fund is currently offering the Units in reliance on prospectus exemptions available under the securities laws of the Offering Jurisdictions. Such exemptions relieve the Fund from the provisions under such legislation requiring the Fund to file a prospectus or a registration statement, as applicable. Accordingly, Subscribers will not receive the benefits associated with purchasing the Units pursuant to a filed prospectus or registration statement, as applicable, including the review of the material by the securities commissions or similar regulatory authority in such jurisdictions.

Eligible Subscribers For the Units

Generally, any individual, corporation, partnership or other entity resident: (i) in the Offering Provinces; or (ii) those states in the United States where the relevant exemptions from registration under the U.S. Securities Act are available, may subscribe for the Units. See Offering - Ineligible Subscribers For Units below. Each Subscriber will be required to execute a Subscription Agreement, which includes certain representations of the Subscriber including the following:

(a) If the Subscriber is an individual, the Subscriber has attained the age of majority and has legal capacity and competence to execute the Subscription Agreement and such other forms as may be required under the securities laws of the jurisdiction of residence of a Subscriber to lawfully subscribe for the Units and to take all actions required pursuant thereto;

(b) If the Subscriber is a corporation, syndicate, partnership, trust or unincorporated organization (each an "Entity"):

   (i) the Entity has full power and authority to execute the Subscription Agreement and to take all actions required pursuant thereto and has obtained all necessary approvals of directors, shareholders, partners, members, or otherwise with respect thereto;

   (ii) the Entity was not created solely and is not being used primarily to permit the purchase of the Units without a prospectus, or if the Entity was created or is being used primarily for such a purpose, each shareholder of the corporation, member of the syndicate, partnership or other unincorporated organization or each beneficiary of the trust, as the case may be, is an individual who would qualify for an exemption from the prospectus requirements under the applicable securities laws in the jurisdiction where the individual resides in such individual subscribed for the Units personally; and

   (iii) the Entity is duly created under the laws of its jurisdiction of creation.

(c) The Subscriber made the subscription for the Units in compliance with applicable statutory exemptions from prospectus requirements for his, her or its own account for investment and not with a view to or for resale in connection with any distribution or trade within the meaning of applicable securities legislation;

(d) The Subscriber is an investor who, by virtue of his net worth and investment experience or by virtue of consultation with or advice from a person or company who is not a promoter of the Fund and who is registered to provide financial advice, is able to evaluate the prospective investment on the basis of information respecting the investment provided for in this Offering Memorandum;
(e) The Subscriber knows the aims and objectives of the Fund and has been advised of the nature of its activities;

(f) The Subscriber is aware of the characteristics of the Units and of their speculative nature as well as of the fact that they cannot be sold or otherwise disposed of except in accordance with the provisions stipulated in this Offering Memorandum, the Declaration of Trust, and applicable securities legislation;

(g) The Subscriber has received and read a copy of this Offering Memorandum and the Subscription Agreement prior to subscribing for Units pursuant to the Subscription Agreement and acknowledges that this Offering Memorandum supersedes and replaces any information or disclosure the Subscriber may have received prior to the date of the Offering Memorandum.

**Ineligible Subscribers For the Units**

No individual, corporation, partnership or other entity resident in any of the Provinces or Territories of Canada other than the Offering Provinces, nor any person in whom there is an interest which is a "tax shelter investment" (as that term is defined in the Tax Act), may subscribe for Units. No person or partnership which is a non-resident of Canada (for purposes of the Tax Act) may subscribe for Units, other than those persons or partnerships resident in the United States where this Offering has satisfied the relevant exemptions from registration under the U.S. Securities Act and applicable state securities laws or persons or partnership resident in jurisdictions outside Canada and the United States that have provided satisfactory evidence as to the permissibility of subscribing for Units pursuant to the applicable laws of such jurisdiction absent any action on the part of the Fund.

**Plan of Distribution**

Subscriptions received are subject to rejection or allotment by the Trustees in whole or in part. The Trustees reserve the right to close the subscription books at any time without notice. If any subscription is not accepted, all applicable Subscription Agreements and subscription proceeds will be returned to the potential Subscribers, without interest or deduction.

There is no market through which the Units may be sold. At the time the Fund was constituted, the Trustees determined the Unit Subscription Price arbitrarily.

The minimum number of Units required to be subscribed for each Subscriber is 15,000 Units. The Trustees reserve the right to waive the minimum number of Units subscribed for, provided that it is in compliance with applicable securities laws.

Unless relying on an alternate exemption from the prospectus requirements, Subscribers resident in or otherwise subject to the securities laws of the Offering Provinces are required to fall within the definition of "accredited investor" set out under applicable securities laws or be purchasing Units for aggregate consideration in excess of $150,000 (or such other amount as applicable securities laws may provide for from time to time) in order to purchase the Units.

The Units are currently being offered under Sections 2.3 or 2.10 of NI 45-106 in all of the Offering Province except Quebec. In Quebec, the Units are currently being offered under Sections 2.3 and 2.10 of Regulation 45-106 respecting prospectus and registration exemptions.

**Connected Issuer**

The Fund is a "connected issuer" of RIC as such term is defined in National Instrument 33-105 - Underwriting Conflicts. The Fund has determined that it is a connected issuer of RIC based on the following factors:

(a) RIC is entitled to appoint three Trustees of the Fund. The maximum number of Trustees currently provided for is five. Therefore, RIC is entitled to appoint at least a majority of the Trustees of the Fund at all times;
(b) all of the Trustees of the Fund are also all of the directors and officers of RIC. The President and sole director of the General Partner and the Secretary of the General Partner are employees of RIC. RIC is controlled by the individuals who are the Trustees of the Fund and the President and sole director of the General Partner; and

(c) under various agreements entered into between RIC, the Partnership and the Fund, including the Mortgage Origination and Capital Raising Agreement, RIC is responsible for originating Mortgage investments for the Partnership, capital raising activities for the Fund as well as incidental administrative functions. RIC is compensated for the services provided to Partnership and the Fund. For further particulars of the fees payable by the Fund and the Partnership to RIC, please see the heading Mortgage Origination and Capital Raising Agreement – Mortgage Origination Fees and Mortgage Origination and Capital Raising Agreement – Capital Raising Fees.

For additional disclosure on the relationship between the Fund, RIC and their Affiliates, please see the heading Conflicts of Interest.

The Trustees, in such capacity, determined the terms of the Offering. The role of RIC in capital raising activities is only to implement the decisions made by the Trustees of the Fund.

RIC, in its capacity as an exempt market dealer, does not charge the Fund for acting in respect of the distribution of Units. However, net proceeds of the Offering will be used to the fund expenses of the Fund, including the payment of the various fees owed to RIC pursuant to the Mortgage Origination and Capital Raising Agreement and other applicable agreements.

**SUBSCRIPTION PROCEDURE**

Subscribers may subscribe for Units under the Offering by delivering the following documents to RIC or the Fund at the address shown in the Subscription Agreement:

(a) an executed Subscription Agreement; and

(b) payment of the subscription price for the Units in the form of a cheque, bank draft or wire transfer payable to "Romspen Mortgage Investment Fund" or an irrevocable direction to a financial institution to deliver to the Fund full payment for the Units upon delivery of certificates representing such Units to the financial institution or to the Subscriber.

The Fund will hold subscription funds in trust until midnight on the second Business Day after the day on which it received a signed Subscription Agreement. After this, the Fund will hold the subscription funds in trust pending a Closing under this Offering. See Rights of Action for Damages or Rescission.

RIC, on behalf of the Fund, may collect, use and disclose individual personal information in accordance with the privacy policy of RIC and will obtain consent to such collection, use and disclosure from time to time as required by its policy and the law. A copy of its current privacy policy will be provided with the Subscription Agreement.

The Fund anticipates that there will monthly Closings. The Fund may close any part of the Offering on any date as it may determine in its sole business judgment. The Fund reserves the right to accept or reject in whole or in part any subscription for Units and the right to close the subscription books at any time without notice. Any funds tendered in respect of a subscription that is not accepted will be promptly returned by the Fund. At a Closing of the Offering, the Fund will deliver to Subscribers a confirmation of the issuance of the Units or, if requested, certified copies of or original certificates representing fully paid and non-assessable Units, provided the subscription price has been paid in full.

Subscribers should carefully review the terms of the Subscription Agreement accompanying this Offering Memorandum for more detailed information concerning the rights and obligations of Subscribers and the Fund. Execution and delivery of a Subscription Agreement will bind Subscribers to the terms thereof, whether executed by
Subscribers or by an agent on their behalf. Subscribers should consult with their own professional advisors. See Risk Factors.

RESALE RESTRICTIONS

The Fund has not filed a prospectus in connection with the issuance of the Units. As a consequence of the Fund offering the Units in reliance upon exemptions from the prospectus requirements under the laws of the Offering Jurisdictions, persons will be unable to sell, transfer or otherwise deal with the Units offered hereby without the appropriate registration/prospectus-filing with securities commissions of the relevant provinces or pursuant to available prospectus and registration exemptions.

Subscribers are advised to consult with their legal advisors concerning restrictions on the disposition of their Units and are advised against disposing of any Units until they ascertain that such disposition is in compliance with the requirements of the applicable legislation.

RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Securities legislation in certain of the Provinces of Canada provides Subscribers, or requires Subscribers to be provided with, a right of action for rescission or damages where an offering memorandum, any amendment to an offering memorandum, a record incorporated by reference into an offering memorandum, or advertising and sales literature contains a Misrepresentation. As used in this Offering Memorandum, except where otherwise specifically defined, "Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. As summarized below, these statutory rights of action, or notice with respect thereto, must be exercised, or delivered, as the case may be, by a Subscriber within the time limit prescribed by the applicable securities legislation. Each prospective Subscriber should refer to provisions of the applicable securities legislation for the particulars of these rights or consult with a legal adviser.

To the extent securities legislation in certain Provinces of Canada does not provide Subscribers, or require Subscribers to be provided with, a right of action for damages or rescission where an offering memorandum, any amendment to an offering memorandum, a record incorporated by reference into an offering memorandum, or advertising and sales literature contains a Misrepresentation, the Fund has provided a contractual right of action for rescission or damage as more particularly described below.

Statutory Rights of Action

Rights for Subscribers in Manitoba

A Subscriber for Units to whom this Offering Memorandum is required to be sent may rescind the subscription for Units by sending written notice to the Fund not later than midnight on the 2nd day, exclusive of Saturdays and holidays, after the Subscriber signs the Subscription Agreement to purchase Units.

If this Offering Memorandum contains a Misrepresentation, a Subscriber who purchases Units offered by this Offering Memorandum is deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase and the Subscriber has a right of action:

(a) for damages against: (i) the Fund; (ii) every director of the Fund at the date of this Offering Memorandum; and (iii) every person or company who signed this Offering Memorandum; and

(b) for rescission against the Fund.

If a Subscriber elects to exercise a right of rescission against the Fund, the Subscriber shall have no right of action for damages against a person or company referred to in (a) above. All or any one or more of the persons or companies referred to in (a) above that are found to be liable or accept liability are jointly and severally liable.
Where a Misrepresentation is contained in this Offering Memorandum, no person or company, including the Fund, is liable in respect of an action for damages or rescission as described above:

(a) if the person or company proves that the Subscriber had knowledge of the Misrepresentation;
(b) in respect of a Misrepresentation in forward-looking information, if the person or company proves all of the following:
   (i) this Offering Memorandum contains, proximate to the forward-looking information:
       (A) 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
       (B) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information;
   (ii) the person or company had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

A person or company is not relieved of liability respecting forward-looking information in a financial statement.

Where a Misrepresentation is contained in this Offering Memorandum, no person or company, other than the Fund, is liable in respect of an action for damages or rescission as described above:

(a) if the person or company 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 Fund that it was sent without the knowledge and consent of the person or company;
(b) if the person or company proves that the person or company, after becoming aware of the Misrepresentation in this Offering Memorandum, withdrew the person's or company's consent to the Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it;
(c) if, with respect to any part of this Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company 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; or
(d) 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, unless the person or company:

(i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation; or

(ii) believed there had been a Misrepresentation.

The amount recoverable shall not exceed the price at which the Units were offered under this Offering Memorandum.

In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the Units resulting from the Misrepresentation.

A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless in all circumstances of the case, the court is satisfied that it would be just and equitable.

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

In the case of an action for rescission, no action may be commenced more than 180 days from the day of the transaction that gave rise to the cause of action. In the case of an action for damages, no action may be commenced more than the earlier of:

(i) 180 days from the day that the Subscriber first had knowledge of the facts giving rise to the cause of action; or

(ii) two years from the day of the transaction that gave rise to the cause of action.

The right of actions for rescission or damages summarized herein is in addition to and do not derogate from any other right that the Subscriber may have at law.

Rights for Subscribers in New Brunswick

Where this Offering Memorandum provided to a prospective Subscriber contains a Misrepresentation, a Subscriber who purchases Units offered by this Offering Memorandum shall be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase, and:

(a) the Subscriber has a right of action for damages against the Fund; or

(b) the Subscriber may elect to exercise a right of rescission against the Fund, in which case the Subscriber shall have no right of action for damages against the Fund.

The Fund shall not be liable if the Fund proves that the Subscriber purchased the Units with knowledge of the Misrepresentation.

The Fund shall not be liable for a Misrepresentation in forward-looking information, if the Fund proves all of the following:

(a) this Offering Memorandum contains, proximate to the forward-looking information:

(i) 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

(ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
(b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

A person or company is not relieved of liability respecting forward-looking information in a financial statement.

In an action for damages, the Fund shall not be liable for all or any portion of the damages that the Fund proves does not represent the depreciation in value of the Units as a result of the Misrepresentation relied on.

All or any one or more of the persons or companies that are found to be liable in an action for damages are jointly or severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would not be just and equitable.

In no case shall the amount recoverable exceed the price at which the Units were offered.

In the case of an action for rescission, no action may be commenced more than 180 days from the day of the transaction that gave rise to the cause of action. In the case of an action for damages, no action may be commenced more than the earlier of: (i) one year from the day that the Subscriber first had knowledge of the facts giving rise to the cause of action; or (ii) six years from the day of the transaction that gave rise to the cause of action.

The rights of action for rescission or damages summarized herein is in addition to and do not derogate from any other right that the Subscriber may have at law.

Rights for Subscribers in Nova Scotia

Section 138 of the Securities Act (Nova Scotia) provides that if this Offering Memorandum, together with any amendment thereto, or any record incorporated by reference in, or deemed incorporated into, this Offering Memorandum or any amendment thereto, or any advertising or sales literature (as defined in the Securities Act (Nova Scotia)) in respect of the Units, contains a Misrepresentation, any Subscriber to whom this Offering Memorandum is sent or delivered who purchases the Units referred to in this Offering Memorandum, or such amendment or record, and any Subscriber who purchases Units referred to in such advertising or sales literature, is deemed to have relied on that Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject as hereinafter provided, a statutory right of action for damages against the Fund at the date of this Offering Memorandum, and subject to additional defences against the directors of the Fund and every person who signed this Offering Memorandum (and the liability of such persons and companies is joint and several with respect to the same cause of action), or the Subscriber may elect instead to exercise a statutory right of rescission against the Fund in which case the Subscriber has no right of action for damages against the Fund at the date of this Offering Memorandum, any director or any person who signed this Offering Memorandum, provided that:

(a) in the case of an action for rescission, no action shall be commenced to enforce a right created 10 days after the date of the transaction that gave rise to the cause of action;

(b) in the case of an action other than an action for rescission, the earlier of 180 days after the Subscriber first had knowledge of the facts giving rise to the cause of action or 3 years after the date of the transaction that gave rise to the cause of action;

(c) no action shall be commenced to enforce the right of rescission or damages created under Section 138 of the Securities Act (Nova Scotia) more than 120 days after the date on which payment was made for the Units (or after the date on which initial payment was made for the Units where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment);

(d) no person or company is liable under Section 138 of the Securities Act (Nova Scotia) if the person or company proves that the Subscriber purchased the Units with knowledge of the Misrepresentation;
(e) no person or company, other than the Fund, is liable under Section 138 of the *Securities Act* (Nova Scotia) if the person or company proves that:

(i) this Offering Memorandum, or the amendment to this Offering Memorandum, was sent or delivered to the Subscriber 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;

(ii) after delivery of this Offering Memorandum, or the amendment thereto and before the purchase of the Units by the Subscriber, on becoming aware of any Misrepresentation in this Offering Memorandum, or the amendment thereto, or any record incorporated or deemed incorporated by reference herein, the person or company withdrew the person's or company's consent to this Offering Memorandum, or amendment to this Offering Memorandum, or such record, and gave reasonable general notice of the withdrawal and the reason for it; or

(iii) with respect to any part of this Offering Memorandum, or amendment thereto, or any record incorporated or deemed to be incorporated by reference herein, purporting to be made on the authority of an expert, or 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 there had been a Misrepresentation, or that the relevant part of this Offering Memorandum, or amendment thereto, or such record, did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or extract from, the report, opinion or statement of the expert;

(f) no person or company, other than the Fund, is liable under Section 138 of the *Securities Act* (Nova Scotia) with respect to any part of this Offering Memorandum, or amendment thereto or any record incorporated or deemed incorporated by reference therein, not purporting to be made on the authority of an expert, or to be a copy of or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed that there had been a Misrepresentation;

(g) a defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable under Section 138 of the *Securities Act* (Nova Scotia) to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would be just and equitable;

(h) in an action for damages under Section 138 of the *Securities Act* (Nova Scotia), the defendant is not liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the Units resulting from the Misrepresentation;

(i) the amount recoverable by a plaintiff under Section 138 of the *Securities Act* (Nova Scotia) may not exceed the price at which the Units were offered under this Offering Memorandum or amendment thereto.

A person or company is not liable for a Misrepresentation in forward-looking information if the person or company proves all of the following:

(a) this Offering Memorandum contains, proximate to the forward-looking information:

(i) 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

(ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information;

(b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.
A person or company is not relieved of liability respecting forward-looking information in a financial statement.

The right of action for rescission or damages summarized herein is in addition to and not in derogation from any right the Subscriber may have at law.

**Rights for Subscribers in Ontario**

Where this Offering Memorandum contains a Misrepresentation, a Subscriber who purchases the Units offered by this Offering Memorandum during the period of distribution has, without regard to whether the Subscriber relied on the Misrepresentation, the following rights:

(a) the Subscriber has a rights of action for damages against the Fund; or

(b) the Subscriber may elect to exercise a right of rescission against the Fund.

If the Subscriber elects to exercise a right of rescission against the Fund, then the Subscriber shall have no right of action for damages against the Fund.

The Fund shall not be liable if the Fund proves that the Subscriber purchased the Units with knowledge of the Misrepresentation.

The Fund shall not be liable for a Misrepresentation in forward-looking information, if the Fund proves all of the following:

(a) this Offering Memorandum contains, proximate to the forward-looking information:

   (i) 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

   (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information;

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

A person or company is not relieved of liability respecting forward-looking information in a financial statement.

In an action for damages, the Fund shall not be liable for all or any portion of the damages that the Fund proves does not represent the depreciation in value of the Units as a result of the Misrepresentation relied on.

In no case shall the amount recoverable exceed the price at which the Units were offered.

In the case of an action for rescission, no action may be commenced 180 days after the date of the transaction that gave rise to the cause of action. In the case of an action for damages, no action may be commenced the earlier of: (i) 180 days after 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.

The rights of action for rescission or damages summarized herein is in addition to and do not derogate from any other right that the Subscriber may have at law.

**Rights of Subscribers in Saskatchewan**

If a Subscriber purchases Units, the Subscriber will have certain rights, some of which are described below. For information about such rights, a Subscriber should consult a lawyer.
A Subscriber is given certain statutory rights under the *Securities Act* (Saskatchewan). Those rights are:

(a) Subsection 80.1(4) – the right to withdraw from an agreement to purchase securities by giving written notice to the Fund within two Business Days after receipt of any amendment to this Offering Memorandum;

(b) Subsection 138(1) – a right of action for rescission or for damages where this Offering Memorandum and any amendment to this Offering Memorandum contains a Misrepresentation;

(c) Subsection 138.1(1) – a right of action for rescission or for damages where advertising or sales literature used in connection with this Offering contains a Misrepresentation;

(d) Subsection 138.2(1) – a right of action for damages where a verbal statement made in connection with this Offering contains a Misrepresentation;

(e) Subsection 141(1) – a right to void the Subscription Agreement and recover the Subscription Price if the Units are sold in contravention of the *Securities Act* (Saskatchewan), the regulations to the Act or a decision of the Saskatchewan Financial Services Commission, Securities Division; and

(f) Subsection 141(2) - a right of action for rescission or for damages if the Offering Memorandum is not delivered to a prospective purchaser before the Subscription Agreement, as required by section 80.1 of the *Securities Act* (Saskatchewan).

No person or company will be liable in an action pursuant to Section 138 of the *Securities Act* (Saskatchewan) if that person or company proves that in respect of a Misrepresentation in forward looking information (as defined in the *Securities Act* (Saskatchewan)) such person or company proves that with respect to the document containing the forward looking information, proximate to that information, there is contained 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 a person or company had a reasonable basis for drawing the conclusion or making the forecast and projections set out in the forward looking information.

A prospective purchaser should refer to the provision of the *Securities Act* (Saskatchewan) for the particulars of these rights or consult with a lawyer.

These statutory rights given by the *Securities Act* (Saskatchewan) are in addition to and without derogation from any other right or remedy which a Subscriber might have at law.

This statutory right to sue is available to a Subscriber whether or not the Subscriber relied on the Misrepresentation. However, there are various defences available to the persons or companies that the Subscriber has a right to sue. In particular, they have a defence if the Subscriber knew of the Misrepresentation when the Subscriber purchased the Units.

Statutory rights of action must be exercised within certain time periods. Those time periods are:

(a) an action for rescission must be started within 180 days of the purchase;

(b) an action for damages must be started by the earlier of:

   (i) one year after the Subscriber first had knowledge of the facts giving rise to the action; or

   (ii) six years after the Units where purchased.
General

The foregoing summaries are subject to the express provisions of The Securities Act (Manitoba), the Securities Act (New Brunswick), the Securities Act (Nova Scotia), the Securities Act (Ontario), the Securities Act (Quebec) and the Securities Act (Saskatchewan) and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

Contractual Rights of Action

Rights for Subscribers in Alberta, British Columbia

Subscribers in Alberta and British Columbia are granted the same rights of action for rescission or damages as residents of Ontario who purchase Units.

The contractual rights of action for rescission or damages granted to Subscribers in Alberta and British Columbia are in addition to and do not derogate from any other right that the Subscriber may have at law.

RISK FACTORS

In addition to factors set forth elsewhere in this Offering Memorandum, potential Subscribers should carefully consider the following factors, many of which are inherent to the ownership of the Units. The following is a summary only of the risk factors involved in an investment in the Units, prospective Subscribers should consult with their own professional advisors to assess the income tax, legal and other aspects of an investment in the Units.

No Market for the Units

As there is no developed market for the Units and the Units are subject to overall restrictions under securities laws, a Unitholder will not be able to liquidate his investment or withdraw his capital at will. Other than in accordance with the redemption rights attached to the Units, a Unitholder may never be able to sell his Units and recover any part of his investment. Accordingly, an investment in Units should only be considered by investors who do not require liquidity.

The Units Are Not Insured

The Fund is not a member institution of the Canada Deposit Insurance Fund and the Units offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Fund. The Units are redeemable at the option of the holder, but only under certain circumstances. See Rights and Characteristics of the Units.

"Mutual Fund Trust" Status

It is intended that the Fund continue to qualify as a "mutual fund trust" for the purposes of the Tax Act. However, there can be no assurance that the Canadian federal income tax laws and administrative policies of the CRA respecting the treatment of "mutual fund trusts" and unit trusts will not be changed in a manner which adversely affects the holders of Units. See Certain Canadian Income Tax Considerations – "Mutual Fund Trust" Status. If the Fund fails to meet one or more conditions to qualify as a "mutual fund trust", the income tax considerations described under "Certain Canadian Income Tax Considerations", would, in some respects, be materially different.

If the Fund ceases to qualify as a "mutual fund trust", the Units will cease to be qualified investments for trusts governed by Registered Plans. Where, at any time in a calendar year, property held by a trust governed by a RRSP or RRIF becomes a non-qualified investment for the trust, the trust must, in respect of such calendar year, pay a tax equal to 50% of the fair market value of the property at the time that the property became a non-qualified investment for the trust. Where, at the end of a month, a trust governed by a DPSP holds property that is not a qualified investment for the trust, the trust is required, in respect of that month, to pay a tax equal to 1% of the fair market value of the property at the time it was acquired by the trust. In addition, trusts governed by a RRSP or a RRIF may
be subject to tax on the income attributable to the holding of non-qualified investments including tax on full capital gains, if any, realized on the disposition of Units.

Additionally, if the Fund ceases to qualify as a "mutual fund trust", it may be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the Fund may have adverse income tax consequences for certain Unitholders, including non-resident persons and Registered Plans that acquire an interest in the Units directly or indirectly from another Unitholder.

**Unitholder Liability**

The Declaration of Trust limits the liability of Unitholders in respect of the Fund and states that the assets of the Fund only are intended to be liable and subject to levy or execution for satisfaction of Fund liabilities and that no resort is to be had to, nor recourse or satisfaction sought from, the private property of any Unitholder in respect of such liabilities. The Fund is the sole limited partner of the Partnership, with the goal of providing enhanced liability protection for Unitholders. As a result of this structure, no business operation will be conducted by the Fund and the liability of the Fund is intended to be limited to its capital contribution as a limited partner in the Partnership.

Notwithstanding the above, to the extent that claims are not satisfied by the Fund, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of the Fund where the liability is not disclaimed in the contracts or arrangements entered into by the Fund with third parties. Personal liability may also arise in respect of claims against the Fund that do not arise under contracts, including claims in tort, claims for taxes and certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered by the Fund's management to be remote due to the nature of the Fund's activities as beneficiary and creditor. In the event that payment of a Fund obligation is required to be made by a Unitholder, such Unitholder is entitled to reimbursement from the available assets of the Fund.

**Tax Treatment and Possible Changes in Tax Laws**

There can be no assurance that income tax laws and the treatment of a "mutual fund trust" will not be changed in a manner which adversely affects Unitholders. See Certain Canadian Federal Income Tax Considerations.

Prospective unitholders should consult with their tax advisors for advice with respect to the tax consequences to them having regard to their own particular circumstances.

**Dilution**

The number of Units the Fund is authorized to issue is unlimited and the Trustees have the sole discretion to issue additional Units. The proceeds of the Offering may not be sufficient to accomplish all of the Fund’s proposed objectives. In addition to alternate financing sources, the Fund may conduct future offerings of Units in order to raise the funds required which will result in a dilution of the interests of the Unitholders in the Fund.

**Reliance on Trustees**

In assessing the risks and rewards of an investment in Units, potential investors should appreciate that they are relying on the good faith and judgment of the Trustees in administering and managing the Fund. Although approval of the Unitholders is required for certain matters, Unitholders have no right to take part in the management of, or the stated purpose of the Fund and the Fund will be bound by the decisions of the Trustees as provided in the Declaration of Trust. It would be inappropriate for investors who are unwilling to rely on the Trustees to this extent to subscribe for Units. There is no certainty that the persons who are currently Trustees will continue to be available to the Fund for the entire period during which it requires the provision of their services.

**No Guaranteed Return**

There is no guarantee that an investment in Units will earn any positive return in the short or long term. Moreover, the interest rates being charged for Mortgages reflect the general level of interest rates and, as interest rates fluctuate, management of the Fund expects that the aggregate yield on Mortgage investments will also change.
Changes in the Economy and Credit Markets

Historically, global financial markets have been subject to periods of volatility and uncertainty, driven by a wide range of factors at any given point in time. Currently, financial markets are slowly recovering from the unprecedented volatility caused by the impairment of financial assets held by lending institutions around the world. A number of major financial institutions have commenced bankruptcy proceedings or have sought and received significant financial assistance from governmental authorities. Access to financing has been negatively impacted by sub-prime mortgages, the liquidity crisis affecting the asset-backed commercial paper market and seriously compromised collateral in the derivatives markets, most notably, collateralized debt obligations (CDOs), credit default swaps (CDSs) and structured investment vehicles (SIVs). This has led to a severe reduction in financial liquidity and credit resulting in a widespread de-leveraging and repricing of all financial asset classes, resulting in the bankruptcy, liquidation, seizure and restructuring of many large global financial institutions outside Canada. These factors may impact the ability of the Partnership to maintain a funding facility with arms length third party institutions on terms favourable to the Partnership. Volatility in financial markets may also be reflected in volatility in the market value of the real property underlying the Mortgage Portfolio.

Nature of the Investments

Investments in Mortgages are affected by general economic conditions, local real estate markets, demand for housing or commercial premises, fluctuation in occupancy rates, operating expenses and various other factors. Investments in Mortgages are relatively illiquid. This will tend to limit the Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. The Partnership's investments in Mortgage loans will be secured by real estate. All Real Property investments are subject to elements of risk. While independent appraisals may be obtained before the Fund makes any Mortgage investments, the appraised values provided therein, even where reported on an “as is” basis are not necessary reflective of the market value of the underlying Real Property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or lease-up improvements on the Real Property providing security for the investment. There can be no guarantee that these conditions will be satisfied and if, and to the extent, they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

The Fund's income and funds available for distribution to Unitholders would be adversely affected if a significant number of borrowers were unable to pay their obligations to the Partnership or if the Partnership was unable to invest its funds in Mortgages on economically favourable terms. On default by a borrower, the Partnership may experience delays in enforcing its rights as lender and may incur substantial costs in protecting its investment.

Availability of Investments

Because the source of all of the Partnership's investments is through RIC, the Partnership, and therefore indirectly the Fund, is exposed to adverse developments in the business and affairs of RIC, to its management and financial strength, to its ability to operate its businesses profitably and to its ability to retain its mortgage brokerage licenses issued to it under applicable legislation. The ability of the Partnership to make investments in accordance with its objectives and investment policies depends upon the availability of suitable investments and the amount of funds available.

There can be no assurance that the yields on the Mortgages currently invested in by RIC will be representative of yields to be obtained on future Mortgage investments of the Partnership. RIC must render its services under the Mortgage Origination and Capital Raising Agreement honestly and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities under the Mortgage Origination and Capital Raising Agreement in a conscientious, reasonable and competent manner. However, the services of RIC, the directors and officers of RIC and the members of its credit committee are not exclusive to the Partnership. RIC, its directors and officers, its Affiliates, members of its credit committee and their Affiliates may, at any time, engage in promoting or managing other entities or their investments including those that may compete directly or indirectly with the
Partnership, and RIC has sole discretion in determining which Mortgages and investments it will make available to the Partnership for investment.

**Reliance on the General Partner**

In assessing the risk of an investment in Units, potential investors should be aware that they will be relying on the good faith, experience and judgment of management of the General Partner and those advisors appointed by the General Partner to assess the acquisition and disposition of the Partnership's investments. Although investments made by the Partnership will be carefully chosen, there can be no assurance that such investments will earn a positive return in the short or long term or that losses may not be suffered by the Partnership from such investments.

**Limited Sources of Borrowing**

The Canadian financial marketplace has a limited number of financial institutions that provide credit to entities such as the Partnership. This limited availability may be compounded by the fact that the Partnership, by the Fund pledging all of its interests in the Partnership, maintains a revolving syndicated loan facility with a Schedule I Bank, as administrative agent, in the maximum amount of $150 million, approximately $125 million of which is available as at June 30, 2013. This revolving syndicated loan facility makes the Partnership and the Fund less attractive as potential borrowers to other sources of credit. The Partnership intends to limit its exposure to the potential scarcity of such funds by continuously seeking out new sources of credit.

**Renewal of Mortgages**

There can be no assurances that any of the Mortgages comprising the Mortgage Portfolio from time to time can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each Mortgage comprising the Mortgage Portfolio, it is possible that the mortgagor, the mortgagee or both, will not elect to renew such Mortgage. In addition, if the Mortgages in the Mortgage Portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such Mortgages will be subject to negotiations between the mortgagors, the mortgagee and RICs at the time of renewal.

**Composition of the Mortgage Portfolio**

The composition of the Mortgage Portfolio may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the Mortgage Portfolio being less diversified than anticipated. A lack of diversification may result in the Partnership being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography.

**Failure to Meet Commitments**

The Partnership may commit to making future Mortgage investments in anticipation of repayment of principal outstanding under existing Mortgage investments. In the event that such repayments of principal are not made in contravention of the borrowers’ obligations, the Partnership may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may face liability in connection with its failure to make such advances.

**Non-performing Loans**

One or more borrowers could fail to make payments according to the terms of their loan, and the Partnership could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of the Partnership's assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the Partnership's rights as mortgagee. Legal fees and expenses and other costs incurred by the Partnership in enforcing its rights as mortgagee against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable they will be borne by the Partnership.
Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. The Partnership may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

**Subordinated Loans and Mortgages**

Some of the Mortgage investments in which the Partnership invests may be considered to be riskier than a First Mortgage because the Partnership will not have a first-ranking charge on the underlying property. When a charge on property is in a position other than first-ranking, it is possible for the holder of a senior-ranking charge on the property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the property to realize on the security given for the loan. Such actions may include a foreclosure action, the exercising of a giving-in-payment clause or an action forcing the property to be sold. A foreclosure action or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any person having other than a first-ranking charge on the property of the security of the property. If an action is taken to sell the property and sufficient proceeds are not realized from such sale to pay off creditors who have prior charges on the property, the holder of a subsequent charge may lose its investment or part thereof to the extent of such deficiency unless the holder can otherwise recover such deficiency from other property owned by the debtor.

**Litigation Risk**

The Fund and/or the Partnership may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, the Partnership is not receiving payments of interest on a Mortgage loan that is the subject of litigation, thereby impacting cash flows. The unfavourable resolution of any legal proceedings could have an adverse effect on the Fund and its financial position and results of operations that could be material.

**Significant Redemptions of Units**

Units are redeemable by the Unitholder as described under Description of Units – Unitholder Redemption Rights. The Fund has the right to defer a redemption payment if the aggregate number of Units tendered for redemption on a particular Redemption Date exceeds 1% of the Units outstanding on such Redemption Date. In extraordinary circumstances where the aggregate number of Units tendered for redemption on a particular Redemption Date exceeds 3%, the Trustees are entitled to modify or suspend Unitholder redemption rights. Consequently, a Unitholder may be required to wait for up to 6 months, or longer, to receive redemption proceeds.

**Competition**

The Partnership will be competing for Mortgage loans with individuals, corporations and institutions (both Canadian and foreign) which are seeking or may seek Mortgage loan investments similar to those desired by the Partnership. Many of these investors will have greater financial resources than those of the Partnership, or operate without the investment or operating restrictions of the Partnership or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in Mortgage investments may increase competition for Real Property investments, thereby increasing purchase prices and reducing the yield on investments. While management of the Fund does not anticipate a significant increase in competition in the markets in which it intends to continue to invest, changing market conditions may increase the level of competition for profitable Mortgage investments and thus may reduce the number of suitable investment opportunities for the Partnership.

**Changes in Regulatory Regime**

There can be no assurances that certain laws applicable to the Fund, the Partnership and/or RIC, including, without limitation, mortgage brokerage laws and securities laws, will not change in a manner that will adversely affect the Fund, the Partnership and/or RIC.
Environmental and Other Regulatory Matters

Although RIC generally obtains an evaluation of the property to be subject to the Mortgage in the form of a Phase I Environmental Audit, environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Partnership could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.

The Partnership follows the environmental program of RIC, which includes policies and procedures to review and monitor environmental matters associated with its properties. RIC's environmental policy usually includes a Phase I Environmental Audit when warranted, conducted by an independent and experienced environmental consultant, before advancing a loan or acquiring a Mortgage.

Knowledge and Expertise of RIC

The Partnership will be dependent on the knowledge and expertise of RIC for Mortgage Origination Services and Capital Raising Services under the Mortgage Origination and Capital Raising Agreement. There is no certainty that the persons who are currently officers and directors of RIC or members of its credit committee will continue to be officers and directors of RIC or members of its credit committee for an indefinite period of time. See Conflicts of Interest and RIC.

Conflicts of Interest

RIC, its officers, directors, employees, or shareholders and its Affiliates and Associates are not limited or affected in their ability to carry on other business ventures for their own account, or for the account of others, and may be engaged in the development of, investment in, or management of businesses that may compete with the business of the Fund. The Fund has not entered into any non-competition agreements with any of RIC or its directors, officers or employees. Similarly, RIC does not have any non-competition agreements with its directors, officers and employees. Accordingly, any one or more of RIC and its directors, officers and employees may compete with or otherwise have a conflict of interest in carrying out its obligations to the Fund.

The Fund relies upon RIC to manage the business of the Fund and the Partnership and to provide managerial skill. The directors and officers of RIC may have a conflict of interest in allocating their time between the respective businesses and interests of RIC, the Fund and the Partnership and other businesses or projects in which they may become involved.

The directors and officers of RIC have agreed to devote as much time to the Fund as is required for the effective management of the Fund. There can be no assurance that this agreement will be effective or that the Fund would be able to successfully enforce it. RIC and its Affiliates, their respective directors and officers may, at any time, engage in promoting or managing other entities and their investments.

U.S. Business Risk

While RIC has had many years of experience dealing with U.S. properties and Mortgages as adjunct collateral to its Canadian Mortgage business, it does not have the same depth of experience as it has in the Canadian Mortgage market. In connection with its U.S. lending initiatives, RIC has engaged appropriate local professionals to augment their own experience and expertise.

Currency Risk

There is a risk that changes in the value of the Canadian dollar, compared to the U.S. dollar, will affect the value of the Fund and the amount of Canadian-dollar income flowing thereto. The Partnership engages in hedging strategies to mitigate this risk. See Investment and Operating Policies of the Partnership.
U.S. Tax Risk

Effective July 1, 2014, pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and generally referred to as the Foreign Account Tax Compliance Act ("FATCA"), the Fund will be required to comply with certain documentation and reporting requirements in order not to be subject to a 30% U.S. withholding tax on certain payments of U.S. source income made (as well as payments attributable to dispositions of property which produce or could produce certain U.S. source income) to the Fund or on certain amounts (including distributions and dividends) paid by the Fund to certain Unitholders. Complying with these rules to avoid such 30% U.S. withholding tax will require the Fund to comply with certain reporting and disclosure requirements which may include, among other things, registration with the U.S. Internal Revenue Service (the "IRS"), requesting and obtaining certain information from Unitholders and (where applicable) their beneficial owners, including information regarding their citizenship, and furnishing certain information and documentation to the IRS. If a Unitholder does not provide such requested information and documentation in a timely manner, the Fund may redeem securities held by the Unitholder. If the Fund is unable to comply with its FATCA requirements, the imposition of the 30% U.S. withholding tax will affect the net asset value of the Fund and will result in reduced investment returns to Unitholders. In addition, the administrative costs arising from compliance with FATCA may also cause an increase in the operating expenses of the Fund, thereby further reducing returns to Unitholders. Any amounts of U.S. tax withheld under FATCA may not be refundable by the IRS. Unitholders should consult their own tax advisors regarding the possible implications of this legislation on their investment and the entities through which they hold their investment.

The Canada-U.S. income tax treaty ("Treaty") general exempts from U.S. federal income taxation any profits from a business carried on in the U.S. unless such business is carried on through a permanent establishment in the U.S. and the profits are attributable to such permanent establishment. Although the Fund intends that the affairs and activities of the Fund and the Partnership should be managed and conducted such that the Fund and/or the Partnership avoid being treated as having a permanent establishment situated in the U.S., no assurance can be given that the Fund and/or the Partnership will not be treated as having a permanent establishment in the U.S. If the Fund and/or the Partnership is treated as having a permanent establishment in the U.S., the Fund would then be subject to U.S. federal income taxation in a manner similar to the taxation of a U.S. person on any of its business profits attributable to the permanent establishment. Any U.S. federal income tax payable by the Fund with respect to a permanent establishment of the Fund and/or the Partnership in the U.S. would have an adverse effect on the cash flow of the Fund available for distribution to Unitholders.

Even if the Fund and/or the Partnership does not have a permanent establishment under the Treaty, certain U.S. states do not follow the Treaty. As a result, there is a risk that the affairs and activities of the Fund and/or the Partnership in such states that do not follow the Treaty could cause the Fund and/or the Partnership to have sufficient income tax nexus to such states to be subject to state income tax. Although the Fund intends that the affairs and activities of the Fund and the Partnership should be managed and conducted such that the Fund and/or the Partnership avoid being treated as having sufficient income tax nexus to a state(s) that does not follow the Treaty, no assurance can be given that the Fund and/or the Partnership will not be treated as having sufficient nexus to such states to not be subject to state income taxation. If the Fund and/or the Partnership is treated as having sufficient income tax nexus to certain states that do not follow the Treaty, the Fund and/or the Partnership would then be subject to state income taxation in a manner similar to the taxation of a U.S. person having income tax nexus to such states. Any state income tax payable by the Fund and/or the Partnership with respect to such state income tax nexus would have an adverse effect on the cash flow of the Fund available for distribution to Unitholders.

CONFLICTS OF INTEREST

RIC is registered with the securities commissions in each of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick and Nova Scotia as an exempt market dealer and will be participating in the distribution of Units pursuant to the Offering. All of the Trustees of the Fund are also directors and officers of RIC. Accordingly, the Fund is a “connected issuer” of RIC as contemplated under applicable securities laws. See Fund, Declaration of Trust – Trustees, RIC and Offering – Connected Issuer.

As noted above, all of the Trustees are also directors or officers of RIC. The sole officer and director of the General Partner is an employee of RIC. Accordingly, there may be conflicts of interest if the interests of these persons or
entities are inconsistent. RIC has entered into the Mortgage Origination and Capital Raising Agreement with the Partnership and the Fund and is entitled to earn the Mortgage Origination Fees and the Lender/Broker Fees in connection with the provision of Mortgage Origination Services, and Capital Raising Fees, in connection with the provision of Capital Raising Services. RIC must render its services under the Mortgage Origination and Capital Raising Agreement honestly and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities under the Mortgage Origination and Capital Raising Agreement in a conscientious, reasonable and competent manner.

While RIC, its directors and officers have committed a significant amount of their time and attention to the business of the Partnership, RIC, its director, officers and their respective Affiliates may from time to time engage in other business activities, including business activities which may compete directly or indirectly with the Partnership and hence with the Fund. Such other business activities may involve transactions which conflict with the interests of the Partnership or the Fund. See Mortgage Origination and Capital Raising Agreement. RIC has sole discretion in determining which Mortgages and investments it will make available to the Partnership for investment and will, at the same time and on an on-going basis, be sourcing investment opportunities for its own account or the account of others. See RIC.

Whenever a conflict of interest arises between the Partnership and/or the Fund, on the one hand, and RIC on the other hand, the parties involved, in resolving that conflict or determining any action to be taken or not taken, will be entitled to consider the relative interests of all of the parties involved in the conflict or that will be affected by such action, any customary or accepted industry practices, and such other matters as the parties deem appropriate in the circumstances. The Declaration of Trust contains conflicts of interest provisions requiring the Trustees to disclose material interests in material contracts and transactions. See Conflict of Interest Restrictions and Provisions for Trustees.
CERTIFICATE

The foregoing contains no misrepresentation or untrue statement of a material fact, as such terms is defined in the Ontario Act, and does not omit to state a material fact that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The preparation and contents of this Offering Memorandum have been approved by the Trustees of the Fund.

DATED this 1st day of July, 2013.

ROMSPEN MORTGAGE INVESTMENT FUND

(SIGNED) SHELDON C. ESBIN  
Chairman of the Board of Trustees

(SIGNED) ARTHUR E. RESNICK  
Trustee

(SIGNED) WESLEY N. ROITMAN  
Trustee

(SIGNED) MARK L. HILSON  
Trustee