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This prospectus constitutes a public offering of securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), and, subject to certain exceptions, may not be offered or sold within the United States or to U.S. persons.

PRELIMINARY PROSPECTUS DATED MAY 9, 2013 IN THE PROVINCE OF QUÉBEC AND AMENDED AND RESTATED PRELIMINARY PROSPECTUS DATED MAY 9, 2013 AMENDING AND RESTATING THE PRELIMINARY PROSPECTUS DATED APRIL 9, 2013 IN ALL OF THE OTHER PROVINCES AND TERRITORIES OF CANADA

Initial Public Offering

May 9, 2013



Eclipse Residential Mortgage Investment Corporation

\$100,000,000 (10,000,000 Class A Shares) Maximum

\$10.00 per Class A Share

The Mortgage Portfolio of the Company will be comprised primarily of Single Family Residential Mortgages, including Non-Conforming Single Family Residential Mortgages. These types of mortgages may have a higher Loan-to-Value than Conforming Single Family Residential Mortgages, the borrower's credit history may have a lower credit score as a result of less established credit history, and income verification may not be by typical means given that the borrower may be self-employed or have alternative sources of income rather than traditional employment income. See “Overview of the Sector that the Company Invests In — Non-Conforming Single Family Residential Mortgages”. The Company will rely solely on the abilities and experience of the management and employees of MCAP in connection with sourcing and servicing the Portfolio Mortgages. See “Risk Factors — Availability of Investments” and “Risk Factors — Reliance on MCAP”. The Canadian Securities Administrators recently published proposed amendments to the regulation of investment funds, which, if enacted in the current form, would restrict the Company's ability to invest in non-guaranteed mortgages unless the Company is able to obtain exemptive relief or takes steps to cease to be regulated as an investment fund and instead be regulated as a corporate issuer. See “Risk Factors — Change in Legislation”.

Eclipse Residential Mortgage Investment Corporation (the “**Company**”), a non-redeemable investment fund incorporated under the *Business Corporations Act* (Ontario), proposes to issue Class A shares (“**Class A Shares**”) of the Company at a price of \$10.00 per Class A Share (the “**Offering**”).

The investment objectives of the Company are to acquire and maintain a diversified portfolio (the “**Mortgage Portfolio**”) comprised primarily of single family residential mortgages that seeks to preserve capital and generate sufficient income to permit the Company to pay monthly distributions to the holders of the Company's Class A Shares (“**Class A Shareholders**”). See “Investment Objectives”.

The Company intends to qualify as a mortgage investment corporation under the Tax Act (as defined herein) and is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Class A Shares are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation.

(continued on next page)

(continued from cover)

Brompton Funds Limited (the “**Manager**”) will act as the manager and portfolio advisor of the Company. The Manager will provide management and portfolio advisory services to the Company. MCAP Financial Corporation (together with its affiliates and subsidiaries, “**MCAP**”), through wholly-owned subsidiaries, will source and service the Mortgage Portfolio and provide mortgage consulting services to the Manager. See “Organizational and Management Details of the Company”. The Manager and MCAP have agreed to acquire, in the aggregate, at least \$6,000,000 of Class A Shares under the Offering.

	Price to the Public ⁽¹⁾	Agents’ fees	Net Proceeds to the Company ⁽²⁾
Per Class A Share	\$10.00	\$0.525	\$9.475
Total Maximum Offering ⁽³⁾⁽⁴⁾	\$100,000,000	\$5,250,000	\$94,750,000
Total Minimum Offering ⁽⁴⁾	\$●	\$●	\$●

Notes:

- (1) The price of the Class A Shares was established by negotiation between the Company and the Agents (as defined below).
- (2) Before deducting the expenses of the Offering (estimated at \$ ●) which, subject to a maximum of 1.5% of the gross proceeds of the Offering, will, together with the Agents’ fees, be paid by the Company from the gross proceeds of the Offering.
- (3) There will be no Closing (as defined herein) unless a minimum of ● Class A Shares are sold. The Maximum Offering assumes 10,000,000 Class A Shares are sold. If subscriptions for a minimum of ● Class A Shares have not been received within 90 days following the date of issuance of a receipt for this prospectus, this Offering may not continue without the consent of the securities authorities and those who have subscribed on or before such date.
- (4) The Company has granted to the Agents an option (the “**Over-Allotment Option**”), exercisable in whole or in part for a period of 30 days following the Closing, to purchase an aggregate of up to 15% of the aggregate number of Class A Shares issued at the Closing at a price of \$10.00 per Class A Share. This prospectus qualifies the distribution of the Over-Allotment Option and the Class A Shares issuable on the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering will be \$115,000,000, the Agents’ fees will be \$6,037,500, and the net proceeds to the Company, before deductions for expenses of the Offering other than the Agents’ fees, will be \$108,962,500. Any investors who acquire Class A Shares forming part of the Agents’ over-allocation position will acquire those Class A Shares under this prospectus regardless of whether the over-allocation is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases. See “Plan of Distribution”.

There is currently no market through which these securities may be sold and purchasers may not be able to resell the securities acquired under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. A return on your investment in the Company is not comparable to the return on an investment in a fixed income security. There is no guarantee that the Company’s investment objectives will be achieved, that an investment in the Company will earn any positive return in the short or long term or that shareholder capital will be preserved. An investment in the Company is appropriate only for investors who have the capacity to absorb investment losses. There may be limited or no liquidity in the Portfolio Mortgages (as defined herein) and, if no secondary market for the Portfolio Mortgages exists, the ability to resell the Portfolio Mortgages if required will be impaired. The amount of the Company’s distributions may fluctuate over time and there can be no assurance that the Company will make any distributions in any particular period. See “Risk Factors” for a discussion of certain factors that should be considered by prospective investors in the Class A Shares.

Following the Closing, the Company intends to enter into a credit facility with a lender which is an affiliate of the Agents (as defined herein). Accordingly, the Company may be considered to be a “connected issuer” of the Agents. See “Plan of Distribution”.

RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Capital Markets Inc., National Bank Financial Inc., Scotia Capital Inc., Raymond James Ltd., Canaccord Genuity Corp., GMP Securities L.P., Macquarie Private Wealth Inc., Manulife Securities Incorporated, Desjardins Securities Inc. and Mackie Research Capital Corporation (collectively, (the “**Agents**”) conditionally offer the Class A Shares, subject to prior sale, on a reasonable “best efforts” basis if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in an agency agreement to be entered into at or prior to Closing by the Company, the Manager, MCAP Financial Corporation (a “promoter” of the Company) and the Agents (the “**Agency Agreement**”) referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Company by Blake, Cassels & Graydon LLP and on behalf of the Agents by Stikeman Elliott LLP. In connection with this Offering and in accordance with and subject to applicable laws, the Agents are permitted to engage in transactions that stabilize or maintain the market price of the Class A Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution”.

Subscriptions will be received for the Class A Shares offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing is expected to occur on or about ● , 2013, or such later date as the Company and the Agents may agree, but in any event not later than ● , 2013. Registrations and transfers of Class A Shares will be effected only through the book-entry system administered by CDS (as defined herein). No holder of a Class A Share will be entitled to a physical certificate evidencing that person’s interest or ownership in such Class A Share and a purchaser of Class A Shares will receive only a customer confirmation from a registered dealer that is a CDS Participant (as defined herein) and from or through whom the Class A Shares are purchased. See “Purchase of Class A Shares”, “Attributes of the Shares — Book-Based System” and “Plan of Distribution”.

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GLOSSARY OF TERMS

Capitalized terms used in this prospectus have the respective meanings set out below.

“\$” means Canadian dollars.

“**Agency Agreement**” has the meaning set forth on the face page of this prospectus.

“**Agents**” has the meaning set forth on the face page of this prospectus.

“**Annual Redemption Date**” means the second last Business Day of December in each year, beginning in 2014.

“**Annual Redemption Notice Period**” means the period from the first Business Day of November (annually, starting in 2014) until 4:00 p.m. (Toronto time) on the 15th day of November, or the immediately preceding Business Day in the event that the 15th day of November is not a Business Day.

“**Annual Redemption Payment Date**” means the 10th Business Day of January each year, beginning in 2015.

“**Annual Redemption Price**” means the NAV per Share on the applicable Annual Redemption Date, less any costs associated with the redemption including commissions and other such costs, if any, related to the liquidation of any portion of the Mortgage Portfolio required to fund such redemption.

“**Annual Redemption Right**” means the right to redeem Class A Shares on the Annual Redemption Date, as described under “Redemption of Class A Shares – Annual Redemptions”.

“**Automatic Repurchase Shareholder**” has the meaning set forth under “Attributes of the Shares – Restrictions on Ownership”.

“**Automatic Repurchase**” has the meaning set forth under “Attributes of the Shares – Restrictions on Ownership”.

“**Brompton**” means Brompton Funds Limited.

“**Brompton Funds**” means Brompton Corp. and its wholly owned subsidiary Brompton, which will act as manager and portfolio advisor of the Company.

“**Brompton Group**” means the Brompton group of companies including Brompton and Brompton Funds.

“**Business Day**” means any day on which there is a regular trading session of the TSX.

“**Canada Guaranty**” means Canada Guaranty Mortgage Insurance Company.

“**CBA**” means the Canadian Bankers Association.

“**CDS**” means CDS Clearing and Depository Services Inc. and includes any successor corporation or any other depository subsequently appointed by the Company.

“**CDS Participant**” means a broker dealer, bank or other financial institution or other person for whom, from time to time, CDS effects book entries for securities issued by the Company deposited with CDS.

“**Class A Shareholder**” means a holder of Class A Shares.

“**Class A Shares**” means the shares in the capital of the Company designated as Class A shares.

“**Closing**” means the closing of the Offering on the Closing Date.

“**Closing Date**” means the date of the Closing, which is expected to be on or about ●, 2013, or such later date as the Company and the Agents may agree, but in any event, not later than ●, 2013.

“**CMHC**” means Canada Mortgage and Housing Corporation.

“**Commercial Mortgages**” means Mortgages on and secured by Real Property used for commercial purposes, including retail, industrial, office or multi-unit residential of greater than four units.

“**Company**” means Eclipse Residential Mortgage Investment Corporation.

“**Conforming Single Family Residential Mortgages**” means Mortgages on and secured by Single Family Residential Properties that, to MCAP’s knowledge, are generally in conformance with Schedule A Banks’ mortgage underwriting standards at the time each Mortgage is underwritten.

“**CRA**” means the Canada Revenue Agency.

“**Credit Facility**” means the credit facility agreement to be entered into between the Company and a Schedule A Bank as described under “Investment Strategies – Leverage”.

“**Custodian**” means Computershare Trust Company of Canada in its capacity as the custodian of the assets of the Company under the Custodian Agreement.

“**Custodian Agreement**” means the agreement to be entered into between the Company and the Custodian at or prior to the Closing, as it may be amended from time to time.

“**December 2012 Proposals**” has the meaning set forth under “Canadian Income Tax Considerations – Status of the Company”.

“**Defaulting Voting Shareholder**” has the meaning set forth under “Principal Holders of Voting Shares”.

“**DPSPs**” means deferred profit sharing plans as defined in the Tax Act.

“**DRIP**” means a distribution reinvestment plan.

“**Extraordinary Resolution**” has the meaning set forth under “Shareholder Matters – Matters Requiring Class A Shareholder Approval”.

“**FRFI**” means a Canadian federally regulated financial institution.

“**Genworth**” means Genworth MI Canada Inc. and all subsidiaries licensed to provide Mortgage insurance, including without limitation, Genworth Financial Mortgage Insurance Company of Canada.

“**Guideline B-20**” means Guideline B-20: Residential Mortgage Underwriting Practices and Procedures issued by OSFI.

“**Indicative Distribution Amount**” has the meaning set forth under “Distribution Policy”.

“**Insured Single Family Residential Mortgages**” means Mortgages on and secured by Single Family Residential Properties that are insured for principal and interest by one of the Mortgage Insurance Companies.

“**Investment Restrictions**” means the investment restrictions of the Company as described under “Investment Restrictions”.

“**IRC**” means the independent review committee of the Company established and maintained pursuant to NI 81-107.

“**Loan-to-Value**” means the ratio, expressed as a percentage, determined by $A/B \times 100$ where:

A = the principal amount of the Mortgage, together with all other equal and prior ranking mortgages or tranches of mortgages on the Real Property, and

B = the appraised market value of the Real Property securing the Mortgage at the time of funding the Mortgage or any more recent appraisal, whichever occurs later.

“**Management Agreement**” means the management agreement to be entered into at or prior to Closing between the Company and the Manager.

“**Management Fee**” has the meaning set forth under “Fees and Expenses – Management Fees and Operating Expenses”.

“**Manager**” means Brompton, in its capacity as the manager and portfolio advisor of the Company or, if applicable, its successor.

“**Maximum Offering**” means \$100,000,000 or 10,000,000 Class A Shares.

“**MCAN**” means MCAN Mortgage Corporation.

“**MCAP**” has the meaning set forth on the face page of this prospectus.

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

“**MIC Condition**” has the meaning set forth under “Principal Holders of Voting Shares”.

“**Minimum Offering**” means \$● or ● Class A Shares.

“**Mortgage**” means an interest in a mortgage (or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage), a hypothecation, a deed of trust, a charge or other security interest of or in Real Property used to secure obligations to repay money by a charge upon the Real Property and, for greater certainty, includes the Portfolio Mortgages.

“**Mortgage Consultant**” means MCAP Financial LP.

“**Mortgage Consulting Agreement**” means the agreement to be entered into at or prior to Closing among the Mortgage Consultant, the Company and the Manager.

“**Mortgage Insurance Companies**” means CMHC, Genworth and Canada Guaranty.

“**Mortgage Portfolio**” means the portfolio, comprised primarily of Single Family Residential Mortgages but also including Other Mortgages and cash and cash equivalents, owned by the Company from time to time.

“**Mortgage-Related Securities**” has the meaning set forth under “Investment Strategies - Investment Focus - Mortgage-Related Securities”.

“**Mortgage Services Agreement**” means the agreement to be entered into at or prior to Closing among the Mortgage Services Provider, the Company and the Manager pursuant to which the Mortgage Services Provider will source and service the Mortgage Portfolio.

“**Mortgage Service Fee**” has the meaning set forth under “Fees and Expenses – Management Fees and Operating Expenses”.

“**Mortgage Services Provider**” means MCAP Service Corporation.

“**NAV**” means the net asset value of the Company, calculated as described under “Calculation of Net Asset Value – Valuation Policies and Procedures of the Company”.

“**NAV per Share**” has the meaning set forth under “Calculation of Net Asset Value – Net Asset Value per Share”.

“**NI 31-103**” means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and its related companion policy promulgated by the Canadian securities regulatory authorities.

“**NI 81-102**” means National Instrument 81-102 *Mutual Funds* and its related companion policy promulgated by the Canadian securities regulatory authorities.

“**NI 81-107**” means National Instrument 81-107 *Independent Review Committee for Investment Funds* promulgated by the Canadian securities regulatory authorities.

“**Non-Conforming Single Family Residential Mortgages**” means Mortgages on and secured by Single Family Residential Properties that are not Conforming Single Family Residential Mortgages and (i) have a maximum Loan-to-Value of 85%, and/or (ii) are Insured Single Family Residential Mortgages.

“**Non-Defaulting Voting Shareholders**” has the meaning set forth under “Principal Holders of Voting Shares”.

“**Offering**” has the meaning set forth on the face page of this prospectus.

“**Ordinary Resolution**” has the meaning set forth under “Shareholder Matters – Matters Requiring Class A Shareholder Approval”.

“**OSFI**” means the Office of the Superintendent of Financial Institutions.

“**Other Mortgages**” means (i) Commercial Mortgages and (ii) Residential Construction Mortgages.

“**Over-Allotment Option**” has the meaning set forth on the face page of this prospectus.

“**Permitted Transferee**” has the meaning set forth under “Principal Holders of Voting Shares”.

“**Plans**” means trusts governed by RRSPs, DPSPs, RRIFs, RDSPs, RESPs and TFSAAs.

“**Portfolio Mortgages**” means Mortgages included in the Mortgage Portfolio.

“**Proposals**” has the meaning set forth under “Canadian Income Tax Considerations”.

“**Proposed Amendments**” has the meaning set forth under “Risk Factors - Change in Legislation”.

“**RDSPs**” means registered disability savings plans as defined in the Tax Act.

“**Real Property**” means land, or rights or interests in land, in Canada (including, without limitation, leaseholds, air rights and rights in condominiums, but excluding Mortgages), and any buildings, structures, improvements and fixtures located thereon.

“**Regulations**” has the meaning set forth under “Canadian Income Tax Considerations”.

“**Related Persons**” has the meaning set forth under “Canadian Income Tax Considerations – Status of the Company”.

“**Repurchased Shares**” has the meaning set forth under “Attributes of the Shares – Restrictions on Ownership”.

“**Required Property**” has the meaning set forth under “Canadian Income Tax Considerations – Status of the Company”.

“**Residential Construction Mortgages**” means Mortgages on and secured by Real Property to fund the construction of Single Family Residential Properties.

“**RESPs**” means registered education savings plans as defined in the Tax Act.

“**RRIFs**” means registered retirement income funds as defined in the Tax Act.

“**RRSPs**” means registered retirement savings plans as defined in the Tax Act.

“**Schedule A Bank**” means Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, The Toronto-Dominion Bank and Royal Bank of Canada.

“**Service Fee**” has the meaning set forth under “Fees and Expenses – Service Fees”.

“**Shareholders**” means, collectively, Class A Shareholders and Voting Shareholders.

“**Shares**” means, collectively, the Class A Shares and the Voting Shares.

“**Single Family Residential Mortgages**” means (i) Mortgages that are either (a) Non-Conforming Single Family Residential Mortgages or (b) Conforming Single Family Residential Mortgages, or (ii) Mortgage-Related Securities.

“**Single Family Residential Properties**” means owner occupied single family detached, semi-detached, freehold townhomes and condominium properties.

“**Tax Act**” means the *Income Tax Act* (Canada), as amended.

“**TFSAs**” means tax-free savings accounts as defined in the Tax Act.

“**Total Assets**” has the meaning set forth under “Calculation of Net Asset Value – Valuation Policies and Procedures of the Company”.

“**Triggering Transaction**” has the meaning set forth under “Attributes of the Class A Shares – Restrictions on Ownership”.

“**TSX**” means the Toronto Stock Exchange.

“**U.S. Securities Act**” has the meaning set forth on the face page of this prospectus.

“**Valuation Date**” means, for the purposes of calculating NAV and NAV per Share, Thursday of each week and such other days as are determined by the Manager.

“**Voting Shareholders**” has the meaning set forth under “Principal Holders of Voting Shares”.

“**Voting Shareholder Agreement**” has the meaning set forth under “Principal Holders of Voting Shares”.

“**Voting Shares**” means the shares in the capital of the Company designated as Voting shares.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “proposes”, “expects”, “estimates”, “intends”, “anticipates” or “believes”, or variations (including negative and grammatical variations) of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such forward-looking statements include, but are not limited to: the annual yield of the Company that the Manager is targeting, the nature of the Company and its affairs following the completion of the Offering, and the ability of the Company to qualify as a MIC under the Tax Act. Actual results, performance and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this prospectus. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the completion of the Offering, the ability of the Company to acquire and maintain a Mortgage Portfolio capable of generating the necessary annual yield or returns to enable the Company to achieve its investment objectives and meet its distribution policies, the ability of the Company to establish and maintain relationships and agreements with key financial partners, the qualification of the Company as a MIC under the Tax Act, the maintenance of prevailing interest rates at favourable levels, the ability of borrowers to service their obligations under the Mortgages, the ability of the Manager, MCAP, the Mortgage Consultant and the Mortgage Services Provider to effectively perform their obligations under, respectively, the Management Agreement, the Mortgage Consulting Agreement and/or the Mortgage Services Agreement, anticipated costs and expenses, competition, and changes in general economic conditions or applicable laws and regulations. These forward-looking statements should not be relied upon as representing the Company’s views as of any date subsequent to the date of this prospectus. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Additional factors are noted under “Risk Factors”. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Capitalized terms used in this prospectus have defined meanings. Please refer to “Glossary of Terms” earlier in this prospectus for the respective meaning of defined terms used herein. Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.

The Company: Eclipse Residential Mortgage Investment Corporation is a closed-end investment fund incorporated under the *Business Corporations Act* (Ontario) on April 3, 2013. See “Overview of the Legal Structure of the Company”.

Offering: The Offering consists of Class A Shares at a price of \$10.00 per Class A Share with a minimum offering amount of \$● (● Class A Shares), a maximum offering amount of \$100,000,000 (10,000,000 Class A Shares), and a minimum subscription of \$● (● Class A Shares). See “Purchase of Class A Shares”, “Plan of Distribution” and “Fees and Expenses”.

Investment Objectives: The investment objectives of the Company are to acquire and maintain a diversified Mortgage Portfolio comprised primarily of Single Family Residential Mortgages that seeks to preserve capital and generate sufficient income to permit the Company to pay monthly distributions to the Class A Shareholders. See “Investment Objectives”.

Investment Strategies: The Company will seek to accomplish its investment objectives through prudent investments in a Mortgage Portfolio consisting primarily of Single Family Residential Mortgages. Initially, the Manager expects that 100% of the Mortgage Portfolio will be invested in Single Family Residential Mortgages, and at all times a minimum of 80% of the Mortgage Portfolio will be comprised of Single Family Residential Mortgages. The Company may also invest in Other Mortgages, in particular, Commercial Mortgages and Residential Construction Mortgages, subject to a limit of 20% of the principal amount of the Mortgage Portfolio (see “Investment Restrictions”). The Mortgage Portfolio will consist of a significant number of Mortgages and will be diversified based on a number of factors, including the maturity date of the Mortgages and the geographic location of the underlying Real Property. The Portfolio Mortgages will be on properties principally located in major urban centres across Canada. The weighted average Loan-to-Value of the Mortgage Portfolio, excluding Insured Single Family Residential Mortgages, will not exceed 80%, with no single Mortgage having a Loan-to-Value of more than 85% at the time of funding.

MCAP believes that its competitive advantages will enable the Company to achieve its investment objectives, namely: a long history with strong shareholders; an experienced senior management team; a deep and varied pipeline of Mortgage investment opportunities; an established Mortgage servicing platform; established relationships with Mortgage brokers; a history of strong performance relating to loan losses; strong relationships with institutional investors including the Schedule A Banks; sophisticated controls regarding governance and regulatory compliance; and access to securitization conduits.

The Portfolio Mortgages will generate income through interest charged on Mortgages, which is payable periodically throughout the term of the Mortgages. All of the Portfolio Mortgages will be secured by Real Property and offer what MCAP believes to be an attractive risk-return profile. Investments in Mortgages will be made in accordance with the Investment Restrictions.

See “Investment Strategies” and “Investment Restrictions”.

Leverage:

The Company will utilize the Credit Facility to borrow up to 25% of the Total Assets of the Company to enhance returns from the Mortgage Portfolio, to fund working capital requirements and to fund the acquisition of Mortgages from time to time. Accordingly, at the time such leverage is incurred, the maximum amount of leverage that the Company could employ is 1.33: 1 (total long positions (including leverage positions) divided by the net assets of the Company). Initially, the Company expects to employ leverage of approximately 15% of the Total Assets of the Company. See “Investment Strategies – Leverage”.

Use of Proceeds:

The Company expects the net proceeds of the Offering to be used as follows:

	Minimum Offering⁽¹⁾	Maximum Offering^{(1) (2)}
Gross proceeds to the Company	\$●	\$●
Agents’ fees	\$●	\$●
Estimated Expenses of the Offering ⁽³⁾	\$●	\$●
Net proceeds to the Company	\$●	\$ ●

- (1) There will be no closing unless a minimum of ● Class A Shares are sold. The maximum Offering assumes 10,000,000 Class A Shares are sold. If subscriptions for a minimum of ● Class A Shares have not been received within 90 days following the date of issuance of a receipt for the final prospectus, this Offering may not continue without the consent of the securities authorities and those who have subscribed on or before such date.
- (2) The Company has granted to the Agents an Over-Allotment Option, exercisable in whole or in part for a period of 30 days following the Closing, to purchase an aggregate of up to 15% of the aggregate number of Class A Shares issued at the Closing at a price of \$10.00 per Class A Share. This prospectus qualifies the distribution of the Over-Allotment Option and the Class A Shares issuable on the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering will be \$115,000,000, the Agents’ fees will be \$6,037,500, and the net proceeds to the Company will be \$108,962,500. Any investors who acquire Class A Shares forming part of the Agents’ over-allocation position will acquire those Class A Shares under this prospectus regardless of whether the over-allocation is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases. See “Plan of Distribution”.
- (3) Subject to a maximum of 1.5% of the gross proceeds of the Offering.

The Company will use substantially all of the net proceeds of the Offering to fund investments in Mortgages in a manner consistent with the investment objectives, strategies and restrictions of the Company, with the balance of the net proceeds being used by the Company for general working capital expenditures.

See “Use of Proceeds”.

Risk Factors:

An investment in Class A Shares is subject to certain risks, including but not limited to: (a) there is no assurance that the investment objectives of the Company will be achieved or that the Company will be able to make distribution payments at targeted levels or at all, (b) fluctuations in the value of Real Property and the effect of general economic conditions thereon, (c) concentration of investments held in the Mortgage Portfolio, (d) the absence of insurance or return guarantees on Mortgages that are not Insured Single Family Residential Mortgages, (e) the impact of competition, (f) sensitivity to interest rates, (g) certain risks related to investing in Mortgage-Related Securities (h) fluctuations in NAV and distributions, (i) the availability of Mortgage investment opportunities, (j) risks related to Mortgage defaults, (k) foreclosure and related costs, (l) litigation risks, (m) the redemption of a significant number of Class A Shares, (n) the trading premium or discount at which Class A Shares may trade relative to the NAV per Share, (o) maintenance of the Company’s qualification as a MIC, (p) reliance of the Company on the Manager, (q) reliance of the Company on

MCAP, (r) the Company has no operating history, (s) the ability of the Company to fund its investments in Mortgages, (t) the use of leverage, (u) conflicts of interest, (v) general economic conditions, (w) restrictions on ownership of Class A Shares which may result in repurchases of such Class A Shares, (x) failure or unavailability of computer and data processing systems and software, (y) subordinate financing, which may be carried on by the Company, is generally considered a higher risk than primary financing, (z) adverse changes in legislation, (aa) regulatory changes to the Mortgage finance rules and guidelines; and (bb) environmental matters that may affect properties securing Mortgages.

See “Risk Factors”.

Summary of Income Tax Considerations:

Mortgage Investment Corporation and Taxation of Class A Shareholders

The Company intends to qualify as a MIC under the Tax Act throughout its current taxation year and for all of its future taxation years. A MIC is generally able to operate as a flow-through entity so that a Class A Shareholder of a MIC is taxed as if the investments owned by the MIC in underlying Mortgages were directly owned by the Class A Shareholder. Taxable dividends, other than capital gains dividends, received by a Class A Shareholder of a MIC are deemed to be interest received by the Class A Shareholder. Capital gains dividends are deemed to be capital gains of the Class A Shareholders.

A sale or other disposition of Class A Shares (other than to the Company) by a Class A Shareholder who holds Class A Shares as capital property will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Class A Shares exceed (or are exceeded by) the Class A Shareholder’s adjusted cost base of such Class A Shares and any reasonable disposition costs. One-half of capital gains (“taxable capital gains”) realized in the year by a Class A Shareholder generally will be included in the Class A Shareholder’s income for the year, and one-half of capital gains realized in the year generally must be deducted from the Class A Shareholder’s taxable capital gains realized in such year. Allowable capital losses in excess of taxable capital gains for a year may be carried forward and back in accordance with detailed rules in the Tax Act.

On a redemption or acquisition of Class A Shares by the Company, the Class A Shareholder will be deemed to have received, and the Company will be deemed to have paid, a dividend in an amount equal to the amount by which the redemption price exceeds the paid-up capital of the Class A Shares. This deemed dividend will be treated in the same manner as other dividends received by the Class A Shareholder from the Company, and its treatment will depend on whether the Company elects that the entire dividend be a capital gains dividend. The balance of the redemption price will constitute proceeds of disposition of the Class A Shares for purposes of calculating any capital gain (or capital loss) on such redemption.

Investment in Class A Shares by Deferred Income Plans

Class A Shares will be qualified investments for trusts governed by RRSPs, DPSPs, RRIFs, RDSPs, RESPs and TFSAs, provided that the Company qualifies as a MIC and does not hold any indebtedness of a person who is an annuitant, a beneficiary, an employer or a subscriber under (or a holder of) such Plan, or of any other person who does not deal at arm’s length with that person. The Class A Shares will also be qualified investments for such plans if they are listed on a designated stock exchange, which currently includes the TSX.

Notwithstanding that the Class A Shares may be qualified investments for a trust governed by a TFSA, RRSP or RRIF, the holder of a TFSA or annuitant under the

RRSP or RRIF will be subject to a penalty tax if such securities are a “prohibited investment” for the trust governed by the TFSA, RRSP or RRIF, as applicable.

Holders or annuitants should consult their own tax advisors with respect to whether Class A Shares would be prohibited investments.

See “Canadian Income Tax Considerations”.

Termination of the Company:

The Company does not have a fixed termination date. The articles of incorporation of the Company provide the Company’s board of directors with the discretion to redeem all of the outstanding Shares if, in the Manager’s opinion (in consultation with MCAP), it is no longer economically practical to continue the Company or it would be in the best interests of the Class A Shareholders to terminate the Company. Upon termination, the Company will distribute to Shareholders their pro rata portions of the remaining assets of the Company after all liabilities of the Company have been satisfied or appropriately provided for. See “Termination of the Company”.

Class A Share Redemptions:

Commencing in December, 2014, outstanding Class A Shares may be surrendered for redemption during the applicable Annual Redemption Notice Period, the redemption price per Class A Share will be equal to the NAV per Share on the second last Business Day of December in each year (the “**Annual Redemption Date**”), less any costs associated with the redemption including commissions and other such costs, if any, related to the liquidation of any portion of the Mortgage Portfolio required to fund such redemption (the “**Annual Redemption Price**”). Payment of the proceeds of redemption will be made on or before the Annual Redemption Payment Date.

The Company will not accept for redemption, on any Annual Redemption Date, Class A Shares representing more than 15% of the average number of Class A Shares outstanding for the 180-day period immediately preceding the Annual Redemption Date. In the event that the number of Class A Shares tendered for redemption in respect of an Annual Redemption Date exceeds the limits set forth above, the Company shall redeem such Class A Shares tendered for redemption, and not withdrawn or revoked, on a pro rata basis. The directors of the Company may, in their sole discretion, waive the above limitations in respect of all Class A Shares tendered for redemption in respect of any one or more Annual Redemption Dates.

See “Redemption of Class A Shares”.

Distribution Policy:

At the beginning of each year, the Company will determine and announce the amount of the monthly cash distribution that the Company intends to pay (the “**Indicative Distribution Amount**”) for the following 12 months based upon the prevailing market conditions. The initial Indicative Distribution Amount will be approximately \$0.05 per Class A Share per month (\$0.60 per annum representing an annual cash distribution as dividends of 6% based on the \$10.00 per Class A Share issue price). The initial cash distribution is anticipated to be payable on or before September 15, 2013 to Class A Shareholders of record on August 31, 2013. Distributions will be declared from time to time by the directors of the Company, acting in their sole discretion, out of the assets of the Company available for the payment of dividends and other distributions. Class A Shareholders are entitled to receive distributions as and when declared.

The Company intends to make monthly cash distributions to Class A Shareholders of record on the last Business Day of each month and pay such cash distributions on or before the 15th day of the following month. Notwithstanding the above, the Company has the right to determine a record date that is other than the last Business Day of each month.

MCAP believes that, based on current market conditions, the interest income generated from the Mortgage Portfolio will be more than sufficient for the Company to maintain a stable NAV per Share (after accounting for the fees and expenses of the Offering) while making the initial cash distributions of \$0.60 per annum per Class A Share as dividends. The amount of monthly cash distributions may fluctuate from month to month and there can be no assurance that the Company will make any distributions in any particular month or months. If the Company's revenues, including interest income and fees, less expenses is less than the amount necessary to fund the monthly distributions, the Company may not pay the full Indicative Distribution Amount. Alternatively, the Company may return a portion of its capital to Class A Shareholders to ensure that monthly distributions are paid, which would reduce the NAV per Share.

See "Risk Factors" and "Distribution Policy".

Organization and Management of the Company:

Manager and Portfolio Advisor: Pursuant to the Management Agreement between the Manager and the Company, Brompton Funds Limited, the Manager, will act as the manager and portfolio advisor of the Company. The Manager is a member of the Brompton Group, a provider of investment management and portfolio advisory services to TSX-listed investment funds since 2002. The Manager's head office is located at Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, Toronto, Ontario, M5J 2T3.

Mortgage Consultant: Pursuant to the Mortgage Consulting Agreement among the Mortgage Consultant, the Company and the Manager, in its capacity as portfolio advisor and on behalf of the Company, MCAP Financial LP, the Mortgage Consultant, will provide Mortgage consulting services required by the Manager in respect of the Manager's portfolio advisory services for the Company.

Mortgage Services Provider: Pursuant to the Mortgage Services Agreement among the Mortgage Services Provider, the Company and the Manager, MCAP Service Corporation, the Mortgage Services Provider, will source and service the Mortgage Portfolio.

Promoter: MCAP Financial Corporation has taken the initiative in founding and organizing the Company and is a "promoter" of the Company within the meaning of applicable securities legislation.

Auditor: Ernst & Young LLP, Chartered Accountants, at its offices in Toronto, Ontario, is the auditor of the Company.

Custodian: ●, at its offices in ●, will be appointed the custodian of the Company's assets prior to the closing of the Offering.

Registrar and Transfer Agent: ●, at its offices in ●, will be appointed the registrar and transfer agent for the Class A Shares.

See "Organization and Management Details of the Company".

Agents:

RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Capital Markets Inc., National Bank Financial Inc., Scotia Capital Inc., Raymond James Ltd., Canaccord Genuity Corp., GMP Securities L.P., Macquarie Private Wealth Inc., Manulife Securities Incorporated, Desjardins Securities Inc. and Mackie Research Capital Corporation conditionally offer the Class A Shares, subject to prior sale, on a reasonable "best efforts" basis if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the Agency Agreement.

The Company has granted the Agents the Over-Allotment Option to purchase additional Class A Shares on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes, as follows:

<u>Agents' Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allocation Position	1,500,000 Class A Shares	Within 30 days following Closing	\$10.00 per Class A Share

See "Plan of Distribution".

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Company. The fees and expenses payable by the Company will reduce the value of your investment in the Company. For further particulars, see "Fees and Expenses".

<u>Type of Fee</u>	<u>Amount and Description</u>
Fees Payable to the Agents:	\$0.525 per Class A Share
Expenses of Offering:	The expenses of the Offering are estimated to be \$●, subject to a maximum of 1.5% of the gross proceeds of the Offering, and together with the Agents' fees in respect of the Offering, will be paid by the Company from the gross proceeds of the Offering.
Management Fee and Mortgage Service Fee:	<p>The aggregate fees payable to the Manager and Mortgage Service Provider will be 1.35% per annum of the NAV, plus applicable taxes. The Manager will receive a management fee from the Company equal to 0.75% of the NAV per annum, plus applicable taxes, calculated and paid monthly in arrears, for acting as the manager and portfolio advisor of the Company. The Manager will also receive an amount equal to the Service Fee and will pay such Service Fee to registered dealers and, out of the Management Fee, will pay a fee to the Mortgage Consultant for its services under the Mortgage Consulting Agreement, in each case plus applicable taxes. For providing services pursuant to the Mortgage Services Agreement, the Mortgage Service Provider will receive a fee from the Company equal to 0.60% of the NAV per annum, plus applicable taxes, calculated and paid monthly in arrears.</p> <p>The aggregate of the Management Fee, the Service Fee and the Mortgage Service Fee payable will be 1.75% of the NAV per annum, plus applicable taxes.</p>
Operating Expenses of the Company:	The Company will pay for all expenses it incurs in connection with its operation and management, estimated to be \$● per annum based on the maximum Offering size. The Company also will be responsible for all fees and expenses of the members of the IRC, taxes, commissions, mortgage brokerage fees and other costs of securities transactions, debt service and costs relating to any credit facilities and any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable. The Manager estimates that ongoing expenses, exclusive of the Management Fee, the Service Fee, the Mortgage Service Fee, expenses relating to the use of leverage, Mortgage administration expenses, and brokerage expenses related to Mortgage Portfolio transactions, will be approximately \$● per year, based on the maximum Offering size. See "Fees and Expenses – Management Fees and Operating Expenses".
Service Fee:	The Manager will pay to each registered dealer readily identifiable on the records maintained by or on behalf of the Company a service fee equal to

0.40% of the NAV per Share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter commencing on September 30, 2014, plus applicable taxes. The Manager may, from time to time, pay the Service Fee more frequently than quarterly, in which event the Service Fee will be prorated for the period to which it relates. See “Fees and Expenses – Sales Commission and Service Fees”.

OVERVIEW OF THE LEGAL STRUCTURE OF THE COMPANY

Capitalized terms used in this prospectus have defined meanings. Please refer to the Glossary of Terms earlier in this prospectus for the respective meanings of defined terms used herein.

Overview of the Legal Structure of the Company

The Company

Eclipse Residential Mortgage Investment Corporation is a corporation newly-incorporated under the *Business Corporations Act* (Ontario) pursuant to articles of incorporation dated April 3, 2013. The Company's head and registered office is located at Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, Toronto, Ontario, M5J 2T3.

Status of the Company

The Company is a non-redeemable investment fund and intends to invest and reinvest its assets in Mortgages. The Company is not considered to be a mutual fund under applicable Canadian securities legislation. Consequently, the Company is not subject to the policies and regulations that apply to publicly offered mutual funds including, in particular, NI 81-102.

The Company differs from a publicly-offered mutual fund in a number of important respects. Those differences include the fact that:

1. the Company is not subject to the prescribed investment restrictions of NI 81-102 and, accordingly, is permitted to invest in Mortgages and to borrow funds;
2. the Company intends to list the Class A Shares on a recognized stock exchange as opposed to most mutual fund securities which are not listed; and
3. Class A Shares are redeemable on each Annual Redemption Date based upon the applicable NAV per Share, as opposed to most mutual funds which are redeemable daily at net asset value.

The Company intends to qualify as a MIC and is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Class A Shares are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation.

INVESTMENT OBJECTIVES

The investment objectives of the Company are to acquire and maintain a diversified Mortgage Portfolio comprised primarily of Single Family Residential Mortgages that seeks to preserve capital and generate sufficient income to permit the Company to pay monthly distributions to the Class A Shareholders.

INVESTMENT STRATEGIES

Investment Focus

The Company will seek to accomplish its investment objectives through prudent investments in a Mortgage Portfolio consisting primarily of Single Family Residential Mortgages. Initially, the Manager expects that 100% of the Mortgage Portfolio will be invested in Single Family Residential Mortgages, and at all times a minimum of 80% of the Mortgage Portfolio will be comprised of Single Family Residential Mortgages. The Company may also invest in Other Mortgages, in particular, Commercial Mortgages and Residential Construction Mortgages, subject to a limit of 20% of the principal amount of the Mortgage Portfolio (see "Investment Restrictions").

The Mortgage Portfolio is expected to consist of over 1,000 Mortgages (assuming the Maximum Offering) and will be diversified based on a number of factors, including the maturity date of the Mortgages and the geographic location of the underlying Real Property. The Portfolio Mortgages will be on properties principally located in major urban centres across Canada. The weighted average Loan-to-Value of the Mortgage Portfolio, excluding Insured Single Family Residential Mortgages, will not exceed 80%, with no single Mortgage having a Loan-to-Value of more than 85% at the time of funding.

The Company will invest primarily in Single Family Residential Mortgages, including: (i) junior tranches of first Mortgages; (ii) second charge Mortgages (where MCAP is the servicer of the first Mortgage on the Real Property); and (iii) Mortgage-Related Securities.

The Mortgage Portfolio will have a low duration with a focus on Mortgages that have a term of up to three years. Portfolio Mortgages are constantly being renewed and the principal thereof being reinvested, and accordingly the Company believes it will be able to increase the interest income earned on the Mortgage Portfolio in the event interest rates increase.

The Portfolio Mortgages will generate income through interest charged on the Mortgage that is typically payable weekly, bi-weekly or monthly throughout the term of the Mortgage.

Junior Tranches of First Mortgages

The Company expects to hold junior tranches of first mortgages which represent direct ownership of Mortgages together with the owners of the senior tranches of the Mortgages, provided that the entire mortgage is serviced by MCAP. The senior position in the mortgage will typically be acquired by a Canadian financial institution (often a bank, life insurer or credit union) and is entitled to a lower interest rate than the entire mortgage rate which allows the Company to earn an increased yield on its investment in the junior tranche of the mortgage. This practice is known as “tranching”. The Company believes that tranching can provide an improved risk return proposition to the Company over holding what otherwise would be the entire mortgage investment.

The junior and senior tranches of the mortgage will be governed by a standard form of participation agreement which will permit MCAP to control the administration of the entire mortgage. Typically, unless there is an event of default under the mortgage (i.e. failure of the borrower to pay an amount owing), both the senior and junior positions of the mortgage will receive their shares of the interest payments according to the participation agreements. If there is a default, then the senior participant (or after it has been fully repaid then the junior participant) will be entitled to direct the servicer to enforce the mortgage on behalf of both participants in accordance with applicable law with all costs to be borne by the borrower. Title to the mortgage and all other security will be in the name of a nominee which will hold title on behalf of both participants as beneficial owners of the mortgage.

Second Charge Mortgages

The Company expects to invest in second charge Single Family Residential Mortgages. A second charge Mortgage is secured by a stand-alone charge against the underlying Real Property and is subordinate to the first charge. All investments in such second charge Mortgages will also be subject to MCAP servicing the first Mortgage. The Company expects that some of the second charge Mortgages invested in by the Company will be on re-finances by borrowers that would have qualified for an Insured Single Family Residential Mortgage prior to the recent rule changes implemented by the Mortgage Insurance Companies.

Mortgage-Related Securities

The Company may invest in mortgage-related securities where the cash flows received are based on the difference between the interest payments received on a pool of Mortgages and the cost of financing the pool of Mortgages (or otherwise based on the residual interest in such pools after the costs of operating and funding the pools). Such cash flows may be represented by separate securities or constitute contractual rights under securitization or other similar programs, and are referred to in this Prospectus as “**Mortgage-Related Securities**”. In most cases, the underlying pool of Mortgages will consist of Insured Single Family Residential Mortgages.

Short-term Mortgages

The Company may invest in short-term Single Family Residential Mortgages. At maturity of a mortgage, and while the borrowers evaluate their renewal options, borrowers may elect to apply for a short-term mortgage extension. These loans typically have a higher interest rate than longer term mortgages. In evaluating the mortgage renewal decision, borrowers typically take into consideration other options such as selling their home and paying off the mortgage, paying down their mortgage or increasing the size of their mortgage for home improvements or other expenditures. Borrowers may require time to make this decision and as such a short-term mortgage is provided.

Insured Single Family Residential Mortgages

The Company may invest in Insured Single Family Residential Mortgages. These Insured Single Family Residential Mortgages may offer an attractive risk-return proposition given that they are 100% guaranteed by a Mortgage Insurance Company. The insurance coverage and the yield offered to the Company will be the primary investment considerations with respect to investments in Insured Single Family Residential Mortgages while the Loan-to-Value will be a secondary investment consideration.

Investment Process

The Company will benefit from MCAP's capabilities, expertise and competitive advantages in underwriting Single Family Residential Mortgages. MCAP will employ similar investment processes in providing their services to both the Manager and the Company as MCAP employs in its operations. MCAP's process is tailored according to the type of Mortgage investment under consideration. All Single Family Residential Mortgages are underwritten, processed and serviced pursuant to a prescribed and documented manual, which sets out policies and procedures that MCAP must adhere to when underwriting a Mortgage. Insured Single Family Residential Mortgages are governed by the policies and procedures of the Mortgage Insurance Companies. These policies are reviewed and approved by the Department of Finance (Canada). MCAP's lending policies and procedures in respect of Non-Conforming Single Family Residential Mortgages are based on best practices developed by MCAP and predecessor companies over the past 20 years.

Once a potential Mortgage investment is approved by MCAP, such Mortgage investment will then be referred to the Manager for additional approval and, if approved, acquired by the Company for inclusion in the Mortgage Portfolio.

MCAP's Mortgage review system is based on the level of experience and seniority of the individual employees within the organization. More senior and experienced members of the organization have higher monetary limits in terms of approval authority for Mortgage investments. MCAP feels that the strength of its investment process is rooted in the following factors:

Internal Credit Risk Control

MCAP maintains a strong internal credit risk assessment program, which was developed and implemented in consultation with industry partners including the Schedule A Banks and the Mortgage Insurance Companies. MCAP is also subject to regular audits from numerous third parties, such as investors and Mortgage Insurance Companies, and has adopted and implemented a culture of continuous improvement.

Fundamental Credit Adjudication

MCAP underwrites Single Family Residential Mortgages based on the fundamental factors of credit analysis: collateral, character, credit, capacity and capital (commonly known as the five Cs). The character of the borrower is an assessment of how the borrower has managed the past performance of their credit including items such as a repayment history, delinquencies, credit usage and any previous debt consolidation. The credit of the borrower refers specifically to the borrowing history of the applicant and the levels of current borrowing outside of the Mortgage application. Capacity of the borrower refers to the borrower's ability to make the Mortgage payments and uses calculations such as gross debt service and total debt service. The capital of the borrower is an assessment of the financial capacity and capital reserves that a borrower has to service the Mortgage should the borrower's circumstances change during the term of the loan. Lastly, collateral refers to the quality and value of the underlying Real Property supporting the Mortgage. MCAP believes that, combined, these measures form the basis of sound credit management and risk assessment of Mortgages.

Quality Broker Referrals

All newly originated Mortgages that are referred to MCAP must be from an approved list of mortgage brokers. In order to be included in the list of Mortgage brokers approved by MCAP, mortgage brokers are subject to a proprietary due diligence process and the quality of each mortgage broker's respective portfolio of originated Mortgages is monitored and reviewed on a regular basis. Mortgage brokers are a significant source of mortgage origination referrals for MCAP. As such, MCAP places an emphasis on building strong relationships with its mortgage brokers.

Extensive Due Diligence

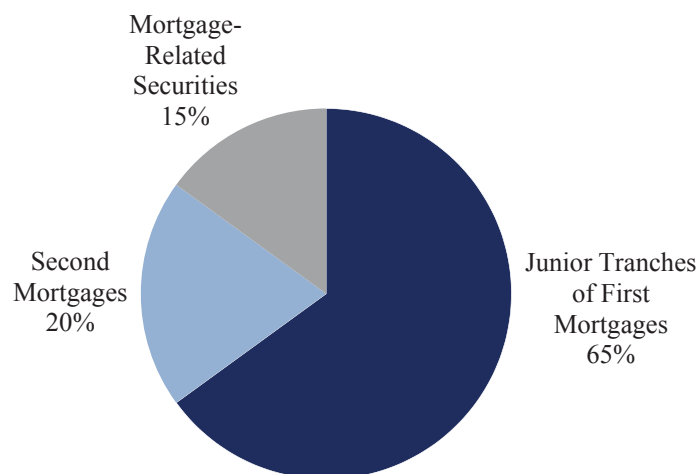
MCAP believes that prudent investing in uninsured Single Family Residential Mortgages requires accurate and effective assessment of the quality of the underlying Real Property. Traditional mortgage lenders tend to take a calculated approach to mortgage origination which focuses on specific items such as credit and income. Although credit and income are important factors, MCAP views them more as tools, in its hands-on approach to mortgage underwriting, to increase or decrease the price and/or the resulting Loan-to-Value. The Company plans to leverage MCAP's experience and systems, which utilize multiple levels of review to identify Mortgages for investment for which the underlying Real Property (i) is in a marketable location, (ii) at the time of underwriting, is well kept and maintained, and (iii) is accurately valued through an appraisal by an MCAP-approved appraiser. In this regard MCAP, on behalf of the Company, plans to exercise extensive due diligence on all Real Property targeted for potential Mortgage investment. This is carried out as part of MCAP's standard underwriting process and prior to the issuance of a commitment letter. Due diligence includes title searches on all properties in order to ascertain the most recent sale price and date and identification of current registered ownership and encumbrances. In many instances MCAP may also research the complete Multiple Listing Service history on the targeted Real Property for the previous 5-7 years. Additionally, MCAP uses a small group of selected appraisers in each urban market that the Company plans to invest in. MCAP orders all appraisals directly. It is not unusual for a mortgage broker to submit an appraisal as part of the application process. In instances such as this the appraisal is reviewed as part of the original underwriting process but it is not relied upon to remove any conditions of the commitment and as such MCAP will still follow its standard appraisal approval process.

MCAP's hands-on approach to underwriting is based on a thorough, case-by-case assessment of the credit of the individual mortgage applicant. The following table provides a comparison of MCAP's approach to underwriting Non-Conforming Single Family Residential Mortgages with the approach that is typically used by regulated lenders.

	MCAP	Regulated Lenders
Property Type	High quality residential	High quality residential
Underwriting Approach	Hands-on adjudication	Automatic adjudication
Rate	+/- 5%	+/- 3%
Loan-to-Value (LTV)	Up to 85%	Up to 80%
Mortgage Term	Focus on 1-3 years	Typically 5 years
Property Location	Major urban centres (very liquid markets)	No restriction
Indicative Borrower	Salaried or self-employed; Less established credit history	Salaried; Established credit history

Indicative Portfolio

Initially, the Mortgage Portfolio is expected to consist of 100% Single Family Residential Mortgages. The following chart illustrates the distribution of the types of Single Family Residential Mortgages that are expected to comprise the initial Mortgage Portfolio:



Leverage

The Company will utilize the Credit Facility to borrow up to 25% of the Total Assets of the Company. Accordingly, at the time such leverage is incurred, the maximum amount of leverage that the Company could employ is 1.33: 1 (total long positions (including leverage positions) divided by the net assets of the Company). It is expected that the terms, conditions, interest rate, fees and expenses of and under the Credit Facility will be typical of credit facilities of this nature and that the lender will require the Company to provide a security interest in favour of the lender in the assets of the Company to secure such borrowings. In the event that the Company does not fulfill its obligations under the Credit Facility, the Company could incur substantial costs and losses if the lender under the Credit Facility seizes or otherwise enforces on or sells Mortgages under the security arrangements for the Credit Facility.

The Manager intends to use the Credit Facility in part to enhance returns from the Mortgage Portfolio, but does not intend to use the Credit Facility solely for this purpose. Pursuant to the Credit Facility, the Company may also, from time to time, at the discretion of the Manager, borrow in order to (i) facilitate its operating activities and fund working capital requirements, (ii) facilitate payment of redemptions of Class A Shares and enhance liquidity of assets, and (iii) facilitate entering into Mortgage loans or funding subsequent advances in an expedient manner. The Company may use the Credit Facility to fund new Mortgages as an interim measure prior to raising additional capital. Initially, the Company expects to employ leverage of approximately 15% of the Total Assets of the Company.

OVERVIEW OF THE SECTOR THAT THE COMPANY INVESTS IN

Canadian Single Family Residential Mortgage Lending Industry

According to the Canadian Association of Accredited Mortgage Professionals, the outstanding residential Mortgage credit in Canada was \$1.19 trillion at the end of 2012 and this is expected to grow to \$1.3 trillion by the end of 2014. MCAP estimates that the annual volume of the residential Mortgage market is \$290 billion. This is comprised of Mortgage financing for sales of newly constructed homes, residential re-sales and refinances from existing homeowners. CMHC's 2012 Mortgage consumer survey report states that 27% of Mortgage consumers used a Mortgage broker to arrange their mortgage compared to 23% in 2011. Based on this survey and MCAPs estimate of annual Mortgage production, Mortgage broker originations are estimated to be approximately \$78 billion per annum.

A recent industry report indicating that in 2012 approximately 12.7 percent of residential mortgages were funded by non-traditional lenders. Based on a \$290 billion per year mortgage market, this would indicate that the market for residential mortgages that are funded by non-traditional lenders is approximately \$37 billion per annum.

According to the Canadian Real Estate Association ("CREA"), the Canadian housing market is balanced meaning that it is neither a buyer nor a seller's market. CREA reports that national home sales declined 2.1% from January to February 2013 and 15.8% on a year-over-year basis from February 2012 to February 2013. However,

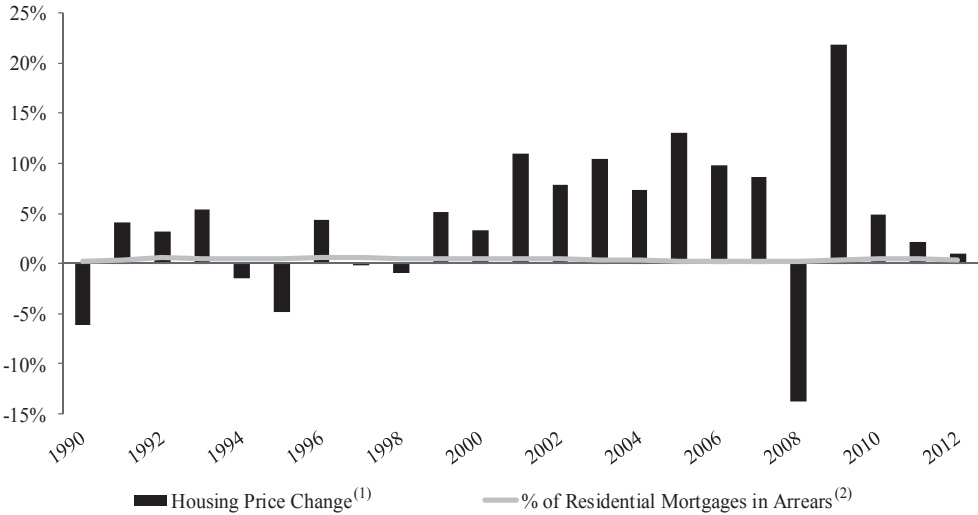
listings of homes have declined in tandem with a decline in sales, which has kept supply and demand balanced. This is supported by the modest 0.5% decline in the weighted average national house price on a year over year basis. MCAP believes that the currently balanced housing market represents an attractive environment for Single Family Residential Mortgages.

MCAP believes that continued low interest rates and stable employment levels will keep Mortgage default rates low. Interest rates remain at all-time low levels with the Bank of Canada announcing on March 6th, 2013 that it is keeping its key policy rate at 1%, a level which has been unchanged for the past two years. In addition, the unemployment rate appears to have stabilized with CREA reporting a national unemployment rate of 7.1% at the end of 2012, down 0.3% from the previous quarter.

MCAP believes that Canada may experience a slight increase in Mortgage rates in the near future; however, the impact of such rise is expected to be minimal as rates will remain low relative to historical levels. Although consumer debt continues to rise year over year and is now at relatively high levels, the historically lower Mortgage rates assist with affordability by providing homeowners with comfortable debt service levels allowing them the opportunity to pay down debt. MCAP believes that the pace of consumer debt growth has slowed. While the level of consumer debt is important in assessing a borrower’s credit worthiness, it is the debt service ability that maintains Mortgage performance.

MCAP also believes that moderate declines in house prices will not have a significant impact on mortgage defaults. Historically, arrears rates for Canadian residential mortgages have remained low despite fluctuating house prices. The following chart depicts the year over year change in Canadian housing prices and the percentage of mortgages in arrears for the past 22 years.

Year over Year Canadian Housing Price Change and Percent of Mortgages in Arrears



(1) Source: RBC Research, Canadian Real Estate Association (CREA)
 (2) Source: Canadian Bankers Association (CBA)

MCAP believes that Single Family Residential Mortgages are the most conservative, the most liquid and largest of all the asset classes in the Canadian Mortgage market. The majority of FRFIs, including each of the Schedule A Banks, own Single Family Residential Mortgages as part of their loan portfolios. Single Family Residential Mortgage lending is a core activity of every major bank in Canada due to quality credit and historically low loan losses. The Canadian Single Family Residential Mortgage market can generally be sub-divided into two segments: (i) Conforming Single Family Residential Mortgages, and (ii) Non-Conforming Single Family Residential Mortgages.

Conforming Single Family Residential Mortgages

Conforming Single Family Residential Mortgages are generally categorized as Mortgages which are either fully insured by one of the Mortgage Insurance Companies, or which are non-insured conventional Mortgages, which in turn, are Mortgages with Loan-to-Value of 80% or less on loans originated since the introduction of Guideline B-20 in June 2012. Borrowers with these Mortgages have strong credit histories and files that are fully documented in terms of income verification and other important aspects of the loan applications. Conforming Single Family Residential Mortgages often receive the best interest rates from Mortgage lenders.

Non-Conforming Single Family Residential Mortgages

Non-Conforming Single Family Residential Mortgages may have a higher Loan-to-Value than Conforming Single Family Residential Mortgages, the borrower's credit history may have a lower credit score, and income verification may not be by typical means given that the borrower may be self-employed or have alternative sources of income rather than traditional employment income. Apart from these differences, the underlying Real Property security for Non-Conforming Single Family Residential Mortgages may be at least the same as for Conforming Single Family Residential Mortgages in that they may be located in good marketable areas and well maintained at the date of underwriting. Non-Conforming Single Family Residential Mortgages may also carry many of the same characteristics as Conforming Single Family Residential Mortgages in that the security may be the same, they may have the same payment frequency and the loans may be amortized resulting in a recapture of capital for the lender throughout the Mortgage term. The Company will not invest in Non-Conforming Single Family Residential Mortgages that have a Loan-to-Value of greater than 85%.

Single Family Residential Mortgage Market Opportunity

Historically the Non-Conforming Single Family Residential Mortgage market in Canada has been serviced by smaller to mid-sized niche players with a regional focus. In the mid 2000's the market changed as the larger FRFIs and the Mortgage Insurance Companies began to participate in this sector as a way to generate additional volumes. These lenders did well in this sector, focusing on the quality of the underlying Real Property and applying a disciplined approach to their equity-based lending programs while keeping Loan-to-Value relatively low.

MCAP believes that, as a result of recent regulatory changes in the Canadian Single Family Residential Mortgage market, including guidelines recently introduced by OSFI and the Ministry of Finance and changes to Mortgage Insurance Companies' underwriting criteria, there has been an increase in the pool of Non-Conforming Single Family Residential Mortgages which are not underwritten by Schedule A Banks, resulting in favourable investment opportunities available to the Company. MCAP believes that, following these regulatory changes, Single Family Residential Mortgages previously underwritten by the Schedule A Banks are now available to the Company with increased yields and without a commensurate increase in the risk profile of the Mortgages. Details on the changes to the lending guidelines and underwriting criteria are discussed below.

Changes to Regulatory Environment

Mortgage Insurance Company Underwriting Criteria

There has been a series of well-published changes to the Mortgage Insurance Companies' guidelines for underwriting Insured Single Family Residential Mortgages. Towards the end of 2007, Mortgages could qualify for Mortgage insurance at a 95% Loan-to-Value and an amortization period of 40 years. Employment income used to qualify for a Mortgage did not always have to be fully confirmed and/or documented and credit scores could be as low as 580. Since 2007 there have been a series of changes that have been implemented in order to tighten the qualifying criteria as summarized in the following table:

Mortgage Insurance Rule Changes 2004 - 2012

	2004-2007	2008	2010	2011	2012
Change in Allowable Loan-to-Value Ratios for Refinancing	85% to 95%		95% to 90%	90% to 85%	85% to 80%
Change in Required Down Payment	Brought down to 0%; Down payment of less than 20% requires mortgage insurance, previously was 25%	Increased to 5%	Increased from 5% to 20% on homes with 1-4 dwellings and not occupied by the owner		

	2004-2007	2008	2010	2011	2012
Debt-to-Income Restrictions			If choosing less than a five year term, mortgage applicants must be income tested using a five-year fixed mortgage rate, previously income tested at 3-year rate		Mortgage insurance no longer available on homes worth more than \$1 million; Gross debt service ratio capped at 39% and total debt ratio at 44%
Change in Allowable Amortization Period	25 to 40 years	40 to 35 years		35 to 30 years	30 to 25 years
Other				Banks can no longer insure home equity lines of credit	
Announced Implemented		July 9th October 15th	February 16th April 19th	January 17th March 18th	June 21st July 9th

Source: Department of Finance

MCAP believes that these changes have created a void in the market place, which was previously being filled through the programs being offered by the Mortgage Insurance Companies.

OSFI Single Family Mortgage Underwriting Guideline B-20

The Office of the Superintendent of Financial Institutions Canada (OSFI) is the government agency tasked with regulating and supervising financial institutions in Canada. In June 2012, OSFI finalized Guideline B-20 which sets out their expectations for prudent Single Family Residential Mortgage underwriting and is applicable to all FRFIs that are engaged in the underwriting and/or the acquisition of Single Family Residential Mortgages in Canada. Guideline B-20 states that FRFIs may only purchase Single Family Residential Mortgages from, or have Single Family Residential Mortgages managed by, an entity that complies with their policies. Even though MCAP is not an FRFI, it maintains sourcing, underwriting, structuring and managing of Single Family Residential Mortgages practices which comply with Guideline B-20 to allow FRFIs to do Single Family Residential Mortgage business with MCAP.

The key principles of Guideline B-20 are that, for Conforming Single Family Residential Mortgages, FRFIs can provide Mortgages with a maximum of 80% loan to value, and for Non-Conforming Single Family Residential Mortgages, FRFIs are expected to provide Mortgages with a maximum lending limit of 65% loan to value. Each FRFI is expected to establish its own policies and underwriting guidelines that make up the definition of a Conforming Single Family Residential Mortgage and a Non-Conforming Single Family Residential Mortgage.

MCAP believes that the universe of Non-Conforming Single Family Residential Mortgages will increase as a result of these new policies and underwriting guidelines and that these Non-Conforming Single Family Residential Mortgages will present attractive credit risk profiles and a superior risk-return profile consistent with Single Family Residential Mortgages originated by MCAP prior to the introduction of Guideline B-20.

Commercial and Residential Construction Mortgages

Commercial

The Canadian Commercial Mortgage lending market consists primarily of retail properties, industrial properties, multi-unit residential and office buildings. Retail properties are generally differentiated based on their size and the composition of their tenants. MCAP believes that the location, condition and functional utility of the Real Property are all key factors in assessing the financial viability of an investment in a retail property. Industrial real estate is typically used for manufacturing and/or warehousing. MCAP believes that the important considerations to take into account when investing in industrial real estate are the borrower's financial position and experience, the location of the Real Property and the condition of the Real Property. With respect to office buildings, MCAP believes that an analysis of the creditworthiness of tenants, the lease maturity profile, location, condition and functional utility of the Real Property are all key considerations in assessing the profitability of the investment.

Residential Construction Mortgages

The Canadian Residential Construction Mortgage market consists primarily of land development, condominium construction and freehold construction. MCAP believes that the important factors to consider when

investing in this market include: (i) the track record of builders with respect to the product being developed; (ii) the long term sales liquidity in the geographic location; (iii) affordability of price points for each particular project; and (iv) prior acceptance of the product in the market. The Company intends to invest in Residential Construction Mortgages that are either tranching Mortgages or short-term bridge Mortgages, with a forecasted completion timeframe of 18-30 months which MCAP believes effectively limits the exposure to changing market conditions.

INVESTMENT RESTRICTIONS

The assets of the Company will be invested in accordance with its investment objectives. The Company intends to qualify as a MIC and, as such, is subject to certain investment restrictions under applicable law that, among other things, limit the investments that may be made by the Company. The following Investment Restrictions may not be changed without the approval of the Class A Shareholders by Extraordinary Resolution (see “Shareholder Matters – Meetings of Class A Shareholders”):

1. the Company will not make or hold any investment, conduct any activity or take any action or omit to take any action that would result in the Company failing to qualify as a “mortgage investment corporation” within the meaning of the Tax Act;
2. at the time of drawdown, the Company will not employ borrowing exceeding 25% of the Total Assets of the Company;
3. at the time of investment, the weighted average term to maturity of Mortgages invested in by the Company will not exceed 60 months;
4. at the time of investment, the weighted average Loan-to-Value of the Mortgage Portfolio will not exceed 80% and no single Portfolio Mortgage will have a Loan-to-Value exceeding 85%, excluding Insured Single Family Residential Mortgages;
5. at the time of investment, not more than 30% of the principal amount of the Mortgage Portfolio will be secured by second Mortgages, excluding Insured Single Family Residential Mortgages (for greater clarity, a junior position in, or junior tranche of, a first ranking mortgage is not considered a second Mortgage);
6. at the time of investment, not more than 15% of the principal amount of the Mortgage Portfolio will be comprised of Mortgage-Related Securities;
7. at the time of investment, not more than 20% of the principal amount of the Mortgage Portfolio will be comprised of Other Mortgages;
8. the Company will not invest in securities other than Mortgages secured by Real Property situated in Canada, Mortgage-Related Securities and cash on deposit with a bank;
9. the Company will not invest in Real Property, except that the Company may hold Real Property acquired as a result of foreclosure where such foreclosure is necessary to protect the Mortgage investment of the Company as a result of a default by the mortgagor and the Company will use commercially reasonable best efforts to dispose of any such Real Property acquired on foreclosure;
10. at the time of investment, not more than 10% of the principal amount of the Mortgage Portfolio will be comprised of Mortgages of the same borrower; and
11. at the time of investment, not more than 5% of the principal amount of the Mortgage Portfolio will be comprised of Mortgages secured by the same property.

INVESTMENT BY THE MANAGER AND MCAP

The Manager and MCAP have agreed to acquire, in the aggregate, at least \$6,000,000 of Class A Shares.

FEES AND EXPENSES

Offering Fees and Expenses

The expenses of the Offering, estimated to be \$• (including the costs of creating and organizing the Company, printing, legal, marketing, certain expenses incurred by the Agents and certain other expenses incurred in

connection with the Offering), subject to a maximum of 1.5% of the gross proceeds of the Offering, will, together with the Agents' fees in respect of the Offering, be paid from the gross proceeds of the Offering.

Management Fees and Operating Expenses

Management Fee and Mortgage Service Fee

The aggregate fees payable to the Manager and Mortgage Service Provider will be 1.35% per annum of the NAV, plus applicable taxes. The Manager will receive a management fee from the Company (the "**Management Fee**") equal to 0.75% of the NAV per annum, plus applicable taxes, calculated and paid monthly in arrears, for acting as the manager and portfolio advisor of the Company. The Manager will also receive an amount equal to the Service Fee and will pay such Service Fee to registered dealers and, out of the Management Fee, will pay a fee to the Mortgage Consultant for its services under the Mortgage Consulting Agreement, in each case plus applicable taxes.

For providing services pursuant to the Mortgage Services Agreement, the Mortgage Services Provider will receive a fee from the Company (the "**Mortgage Service Fee**") equal to 0.60% of the NAV per annum, plus applicable taxes, calculated and paid monthly in arrears.

The aggregate of the Management Fee, the Service Fee and the Mortgage Service Fee payable will be 1.75% of the NAV per annum, plus applicable taxes.

Operating Expenses

The Company will pay for all expenses it incurs in connection with its operations and management. In addition to the fees and expenses referenced elsewhere in this prospectus, it is expected that these expenses will include, without limitation: (i) financial reporting costs, and mailing and printing expenses for periodic reports to Class A Shareholders and other Class A Shareholder communications including marketing and advertising expenses; (ii) any taxes payable by the Company; (iii) fees payable to its transfer agent and its custodian and sub-custodian; (iv) costs and fees payable to any agent, legal counsel, investment counsel, investment advisor, actuary, valuator, technical consultant, accountant or auditor or other third party service provider; (v) ongoing regulatory filing fees, licence fees and other fees (including in respect of the Company, stock exchange fees and listing fees); (vi) any expenses incurred in connection with any legal proceedings in which the Manager participates on behalf of the Company or any other acts of the Manager or any other agent of the Company in connection with the maintenance or protection of the property of the Company, including, without limitation, costs associated with the enforcement of Mortgages; (vii) any fees or indemnity payable to, and expenses incurred by, directors and the IRC; (viii) premiums for directors' and officers' insurance coverage for the directors and officers of the Manager and members of the IRC; (ix) any additional fees payable to the Manager for performance of extraordinary services on behalf of the Company; (x) consulting fees including website maintenance costs and expenses associated with the preparation of tax filings; (xi) other administrative expenses of the Company (including the calculation of NAV); and (xii) Mortgage-related costs incurred by the Company in respect of certain Portfolio Mortgages. The Company will also be responsible for all taxes, commissions, mortgage brokerage fees and other costs of securities transactions, debt service, commitment fees and costs relating to any credit facilities, insurance premiums and any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable. For greater certainty, the salaries of the employees of the Manager will be borne by the Manager.

The Manager estimates that ongoing expenses, exclusive of the Management Fee, the Service Fee, the Mortgage Service Fee, expenses relating to the use of leverage, Mortgage administration expenses, and brokerage expenses related to Mortgage Portfolio transactions, will be approximately \$● per year, based on the maximum Offering size.

Service Fees

The Manager will pay to each registered dealer readily identifiable on the records maintained by or on behalf of the Company a servicing fee (the "**Service Fee**") equal to 0.40% annually of the NAV per Share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter commencing on September 30, 2013, plus applicable taxes. The Manager may, from time to time, pay the Service Fee more frequently than quarterly, in which event the Service Fee will be prorated for the period to which it relates. See "Calculation of Net Asset Value".

RISK FACTORS

There are certain risks inherent in an investment in the Class A Shares, including the following factors, which investors should carefully consider before investing. Some of the following factors are interrelated and, consequently, investors should treat such risk factors as a whole. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus. These risks and uncertainties are not the only ones that could affect the Company and additional risks and uncertainties not currently known to the Company, the Manager or MCAP, or that they currently deem immaterial, may also impair the returns, NAV, NAV per Share, financial condition and results of operations of the Company. If any such risks actually occur, the returns, NAV, NAV per Share, financial condition and results of operations of the Company could be materially adversely affected and the financial performance of the Company and the ability of the Company to make cash distributions or satisfy requests for redemptions of Class A Shares could be materially adversely affected.

No Assurance of Achieving Investment Objectives

There can be no assurance that Portfolio Mortgages invested in by the Company will result in a guaranteed rate of return or any return to Class A Shareholders or that losses will not be suffered on one or more of the Portfolio Mortgages. Although Portfolio Mortgages and Mortgage-Related Securities will undergo a thorough review and selection process by the Manager and MCAP, respectively there is no assurance that the Company will be able to achieve its investment objectives or be able to pay distributions at the targeted levels or preserve capital. The funds available for distribution to Class A Shareholders will vary according to, among other things, losses of principal and/or interest in relation to Portfolio Mortgages and the interest and principal payments received in respect of the Portfolio Mortgages. There is no assurance that the Mortgage Portfolio will earn any return. The Manager, on behalf of the Company, may periodically re-evaluate the Company's targeted level of distributions and adjust it higher or lower, which may have a material effect on the price or value of the Class A Shares. An investment in the Company is appropriate only for investors who have the capacity to absorb a loss on their investment and who can withstand the effect of distributions not being paid in any period or at all.

Changes in Real Property Values

The Company's investments in Mortgage loans will be secured by Real Property, the value of which may fluctuate. The value of Single Family Residential Properties is affected by, among other factors, general economic conditions, local real estate markets, the attractiveness of the property and the level of supply and demand in the market for comparable properties.

A substantial decline in value of Real Property provided as security for a Mortgage may cause the value of such Real Property to be less than the outstanding principal amount of the Mortgage loan. In that case, and in the event the Mortgage loan is uninsured, the Company's realization on its security and its exercise of foreclosure or power of sale rights in respect of the relevant property might not provide the Company with proceeds sufficient to satisfy the outstanding principal amount of, and interest owing, under the Mortgage loan. However, even in the event the loan is insured, the Company may not be able to realize proceeds sufficient to satisfy the outstanding principal amount of, and interest owing, under the Mortgage loan if its claim to the relevant Mortgage Insurance Company is denied or the relevant Mortgage Insurance Company becomes insolvent.

While independent appraisals are required before the Company may make any Mortgage investments, the appraised values provided, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying Real Property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain assumptions and conditions, including the completion of construction, rehabilitation, remediation or leasehold improvements on the Real Property providing security for the loan. There can be no assurance that these assumptions and conditions will be satisfied and if, and to the extent they are not satisfied, the appraised value may not be achieved. Even if such assumptions and conditions are satisfied, the appraised value may not necessarily reflect the market value of the Real Property at the time the conditions are satisfied.

Concentration and Composition of the Mortgage Portfolio

The Mortgage Portfolio will be comprised primarily of Single Family Residential Mortgages, although the Company also may hold Other Mortgages and cash and cash equivalents. Given the concentration of the Company's exposure to Mortgages, the Company will be more susceptible to adverse economic or regulatory occurrences

affecting Real Property than an investment fund that holds a diversified portfolio of securities. Investments in Mortgages are relatively illiquid. Such illiquidity will tend to limit the Company's ability to vary the composition of the Mortgage Portfolio promptly in response to changing economic or investment conditions.

The investment objectives and Investment Restrictions of the Company permit the assets of the Company to be invested in different types of Mortgages. Therefore, the composition of the Mortgage Portfolio may vary from time to time, subject to the investment objectives and Investment Restrictions of the Company. The Mortgage Portfolio will be invested, and may from time to time be concentrated, by location of the properties, type of property, or other factors resulting in the Mortgage Portfolio being less diversified than at other times. As a result, the returns generated by the Mortgage Portfolio may change as its composition changes.

No Guarantees or Insurance

A Mortgage borrower's obligations to the Company or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the *National Housing Act* (Canada). This does not include Insured Single Family Residential Mortgages. In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the Mortgage borrower's obligations, there is no assurance that such additional security or guarantee will be available or sufficient to make the Company whole if and when resort is to be had thereto. Further, Class A Shares are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation.

Competition

MCAP's products compete with those offered by banks, insurance companies, trust companies and other financial institutions. Certain of these competitors are better capitalized, hold a larger percentage of the Canadian Mortgage market, may have greater financial, technical and marketing resources than MCAP and will have greater name recognition than MCAP. MCAP will experience competition in all aspects of its business, including price competition. If price competition increases, MCAP may not be able to raise the interest rates it charges in response to a rising cost of funds or may be forced to lower the interest rates that it is able to charge borrowers, which has the potential to reduce the value of the Portfolio Mortgages that the Company has purchased from MCAP or the return on or yield of Portfolio Mortgages that the Company may purchase from MCAP. Price-cutting or discounting may reduce the return on or yield of the Portfolio Mortgages invested in by the Company. This could have a material adverse effect on the Company's business, financial condition and results of operations and on the amount of cash available for distribution to be made on the Class A Shares.

Sensitivity to Interest Rates

At any point in time, the interest rates being charged for Portfolio Mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on Mortgage investments will also change. It is anticipated that the market price for the Class A Shares and the value of the Mortgage Portfolio at any given time may be affected by the level and term structure of interest rates prevailing at such time. The Company's income will consist primarily of interest payments on the Portfolio Mortgages. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Portfolio Mortgages are based), the Company may find it difficult to purchase additional Mortgages bearing rates sufficient to achieve the targeted payment of distributions on the Class A Shares. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Company's ability to maintain distributions on the Class A Shares at a consistent level. As well, if interest rates increase, the value of the Company's Mortgage Portfolio may be negatively impacted.

Risks Related to Mortgage-Related Securities

Investments in Mortgage-Related Securities are generally sensitive to changes in the pre-payment rate on the applicable Mortgages underlying this form of investment. In particular, an increase in prepayments has the effect of shortening the average amortization, and thereby reducing the interest income, of the applicable underlying Mortgages, which may cause principal losses and a material adverse effect on the market value of Mortgage-Related Securities. Conversely, a decrease in the pre-payment rate and an increase in the amortization of the applicable underlying Mortgages may cause an increase in the market value of Mortgage-Related Securities.

Fluctuations in NAV, NAV per Share and Distributions

The NAV and NAV per Share and the funds available for distributions will vary according to, among other things, the value of the Mortgage Portfolio and the interest earned thereon. Fluctuations in the market value of the Mortgage Portfolio may occur for a number of reasons beyond the control of the Manager or the Company.

The Company will depend on revenue generated from the Mortgage Portfolio. There can be no assurance regarding the amount of revenue that will be generated by the Portfolio Mortgages. The amount of distributions will depend upon numerous factors, including the ability of borrowers to make applicable payments under Portfolio Mortgages, interest rates, unexpected costs, and other factors which may not now be known by or which may be beyond the control of the Company, the Manager or MCAP. If the directors of the Company, on the advice of the Manager, determine that it would be in the best interests of the Company, they may reduce or suspend for any period, or altogether cease indefinitely, the distributions to be made on the Class A Shares.

Distributions made to Class A Shareholders may exceed actual cash available to the Company from time to time because of items such as debt payment obligations, fluctuations in Mortgage Portfolio returns and redemptions of Class A Shares, if any. The excess cash required to fund distributions may be funded from the Credit Facility or from the capital of the Company.

Availability of Investments

As the Company relies on MCAP to source the Portfolio Mortgages, the Company is exposed to adverse developments in the business and affairs of MCAP, to its management and financial strength, competition faced by MCAP and by MCAP's ability to operate its businesses efficiently and profitably. The ability of the Company to make investments in accordance with its investment objectives and investment strategies depends upon the availability of suitable investments and the amount of funds available to make such investments. Additionally, the Company may occasionally hold excess funds to be invested in additional Mortgages, which may negatively impact returns.

Risks Related to Mortgage Extensions and Mortgage Defaults

MCAP may from time to time deem it appropriate to extend or renew the term of a Portfolio Mortgage past its maturity, or to accrue the interest on a Portfolio Mortgage, in order to provide the borrower with increased repayment flexibility. MCAP generally will do so if it believes that there is a very low risk to the Company of not being repaid the full principal and interest owing on the Portfolio Mortgage. In these circumstances, however, the Company is subject to the risk that the principal and/or accrued interest of such Portfolio Mortgage may not be repaid in a timely manner or at all, which could impact the cash flows of the Company during and after the period in which it is granting this accommodation. Further, in the event that the valuation of the asset has fluctuated substantially due to market conditions, there is a risk that the Company may not recover all or substantially all of the principal and interest owed to the Company in respect of such Portfolio Mortgage.

When a Mortgage is extended past its maturity, the loan can either be held over on a month-to-month basis, or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the Mortgage Services Provider has the ability to exercise its Mortgage enforcement remedies in respect of the extended or renewed Mortgage. Exercising Mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Company during the period of enforcement. In addition, as a result of potential declines in Real Property values, the priority ranking of the Mortgage and other factors, there is no assurance that the Company will be able to recover all or substantially all of the outstanding principal and interest owed to the Company in respect of such Mortgages by the Mortgage Service Provider's exercise of Mortgage enforcement remedies for the benefit of the Company. Should the Company be unable to recover all or substantially all of the principal and interest owed to the Company in respect of such Mortgage loans, the NAV of the Company would be reduced, and the returns, financial condition and results of operations of the Company could be adversely impacted.

Foreclosure or Power of Sale and Related Costs

One or more borrowers could fail to make payments according to the terms of their loan, and the Company could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of the Company'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 Company's rights as mortgagee. Legal fees and expenses and other costs incurred by the Company 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 Company.

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, Mortgage payments to prior charge holders, insurance costs and related charges must be made through the period of ownership of real property regardless of whether Mortgage payments are being made. The Company may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

Litigation Risks

The Company 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 involving a borrower in respect of a Mortgage, the Company may not be receiving payments of interest on a Portfolio Mortgage that is the subject of litigation, thereby impacting cash flows. The unfavourable resolution of any legal proceedings could have an adverse effect on the Company and its financial position and results of operations that could be material.

Redemption Risks

Class A Shares are redeemable annually (commencing in December 2014) at the Annual Redemption Price, as described under “Redemption of Class A Shares”. The purpose of the Annual Redemption Right is to reduce the likelihood of the Class A Shares trading at a substantial discount to the NAV per Share and to provide Class A Shareholders with an opportunity to liquidate their investment once per year without any trading discount to the NAV per Share or incurring selling commission. While the Annual Redemption Right provides holders of Class A Shares with the option of annual liquidity based on the NAV per Share, there can be no assurance that it will reduce trading discounts or allow a holder to redeem all of the Class A Shares sought to be redeemed. If a significant number of Class A Shares are redeemed, the trading liquidity of the Class A Shares could be significantly reduced. In addition, if a significant number of Class A Shares are redeemed, (i) the Company may be required to sell Mortgage Portfolio assets in order to satisfy redemption payment obligations and may not be able to complete such Mortgage Portfolio asset sales on favourable terms or at all, (ii) the expenses of the Company would be spread among fewer Class A Shares resulting in a higher management expense ratio per Class A Share, and (iii) Class A Shares submitted for redemption in excess of the redemption limits described under “Redemption of Class A Shares – Limitation and Suspension of Redemptions” may not be redeemed. If, as a result of significant redemptions, the Manager determines that it is in the best interests of Class A Shareholders to terminate the Company, the Manager could, subject to applicable law, seek to terminate the Company.

Trading Price of Class A Shares and Liquidity

The Class A Shares may trade in the market at a premium or discount to the NAV per Share and there can be no assurance that the Class A Shares will trade at a price equal to the NAV per Share or that a liquid market will develop. This risk is separate and distinct from the risk that the NAV per Share may decrease.

In recognition of the possibility that the Class A Shares may trade at a discount, the terms and conditions attaching to the Class A Shares have been designed to attempt to reduce or eliminate a market value discount from the NAV per Share. The Company believes that optional purchases of Class A Shares in the capital of the Company by the Company, as described under “Attributes of the Shares”, and the Annual Redemption Right described under “Redemption of Class A Shares” may help to reduce or eliminate a market value discount from NAV per Share. There can be no assurance that such measures will result in the Class A Shares trading at a price which is equal to the NAV per Share. The Company anticipates that the market price of the Class A Shares will in any event vary from the NAV per Share. The market price of the Class A Shares will be determined by, among other things, the relative demand for and supply of Class A Shares in the market, trading liquidity, the Company’s investment performance, the Class A Shares’ yield and investor perception of the Company’s overall attractiveness as an investment as compared with other investment alternatives.

Qualification as a MIC

Although the Company intends to qualify at all times as a MIC, no assurance can be provided in this regard, including with respect to whether Mortgages representing junior tranches of first mortgages would be secured “debts” for purposes of the 50% asset test that must be met by the Company to qualify as a MIC. Although

counsel are of the opinion that such Mortgages governed by participation agreements in the form reviewed by counsel would be secured “debts” for purposes of the 50% asset test if acquired on the date hereof, no advance income tax ruling has been requested or obtained from the CRA in this regard and there can be no assurance that the CRA will agree with counsel’s view. If the Company initially qualifies as a MIC under the Tax Act, but for any reason the Company does not maintain its qualification, dividends paid by the Company on the Class A Shares will cease to be deductible by the Company in computing its income and will no longer be deemed to have been received by Class A Shareholders as interest or a capital gain, as the case may be. In such event, as long as a class of shares in the capital of the Company is listed on a designated stock exchange, the rules in the Tax Act regarding the taxation of public corporations and their shareholders apply, with the result that the combined corporate and shareholder tax may be significantly greater. In addition, unless the Class A Shares are listed on a designated stock exchange, the Class A Shares may not constitute qualified investments for Plans. See “Canadian Income Tax Considerations”.

The Company intends to monitor major positions held in Class A Shares in relation to the outstanding balance of Class A Shares to ensure that no one Class A Shareholder of the Company exceeds the 25% maximum ownership limit set by the Tax Act for the Company to maintain its qualification as a MIC. The terms of the Class A Shares include certain provisions intended to prevent this condition from being violated. See “Canadian Income Tax Considerations” and “Attributes of the Shares – Restrictions on Ownership”.

Reliance on the Manager

Pursuant to the Management Agreement, the Manager will advise the Company in a manner consistent with the investment objectives and the Investment Restrictions of the Company. Although the employees of the Manager who will be primarily responsible for the performance of the obligations owed to the Company have extensive experience, there is no certainty that such individuals will continue to be employees of the Manager in the future. In addition, there is no assurance that the Manager will continue to provide services to the Company.

There is no certainty that the persons who are currently officers and directors of the Manager will continue to act in such capacity. Class A Shareholders will be required to rely on the good faith, expertise and judgment of the individuals comprising the management of the Manager from time to time. Class A Shareholders do not have the right to direct or influence in any manner the business or affairs of the Manager.

Reliance on MCAP

MCAP Service Corporation, in its capacity as the Mortgage Services Provider, will perform its obligations in relation to sourcing and servicing the Portfolio Mortgages, among other duties and obligations, and MCAP Financial LP, in its capacity as the Mortgage Consultant, will perform its obligations in relation to the provision of Mortgage consulting services, among other duties and obligations. MCAP’s operations on behalf of the Company and the Manager are dependent on the abilities, experience and efforts of its employees and management and other key employees including the senior management team. Should any of these persons be unable or unwilling to continue in their employment, this could have a material adverse effect on MCAP’s business, financial condition and results of operation. Class A Shareholders do not have the right to direct or influence in any manner the business or affairs of MCAP.

Operating History of the Company

The Company is a newly organized MIC with no previous operating history. There currently is no public market for the Class A Shares and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

The Company May Be Unable to Fund Investments

The Company may commit to making future Mortgage investments in anticipation of repayment of principal outstanding and/or the payment of interest under existing Mortgage investments. In the event that such repayments of principal or payments of interest are not made, the Company may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may be required to obtain interim financing and to fund such commitments or face liability in connection with its failure to make such advances.

Leverage

The Manager intends to use the Credit Facility to enhance returns from the Mortgage Portfolio, and may use the Credit Facility to (i) facilitate its operating activities and fund working capital requirements, (ii) facilitate payment of redemptions of Class A Shares and enhance liquidity of assets, and (iii) facilitate entering into Mortgage

loans or funding subsequent advances in an expedient manner. The Company may use the Credit Facility to fund new Mortgages as an interim measure prior to raising additional capital. The use of leverage may reduce returns (both distributions and capital) to holders of Class A Shares. If there is a decline in the value of the assets in the Mortgage Portfolio, the leverage will cause a decrease in the NAV in excess of that which would otherwise be experienced if no leverage was utilized.

Conflicts of Interest

The Company is subject to a number of actual and potential conflicts of interest involving MCAP, the Mortgage Consultant and the Mortgage Services Provider. MCAP, the Mortgage Consultant and the Mortgage Services Provider provide Mortgage origination and/or Mortgage-related services to other investors, including FRFIs and pension funds as well as investing on their own account. Accordingly, the services provided by the Mortgage Consultant pursuant to the Mortgage Consulting Agreement and the Mortgage Services Provider pursuant to the Mortgage Services Agreement are not exclusive to the Company and neither the Mortgage Consulting Agreement nor the Mortgage Services Agreement restricts MCAP, the Mortgage Consultant or the Mortgage Services Provider from establishing, as applicable, additional Mortgage origination and/or servicing arrangements, participating in additional investment funds, entering into other advisory relationships or from engaging in other business activities, even though such activities may be in competition with the Company and/or involve substantial time and resources of MCAP, the Mortgage Consultant or the Mortgage Services Provider. MCAP, the Mortgage Consultant and/or the Mortgage Services Provider currently provide Mortgage origination and/or servicing to a number of different investors having more assets than the Company is expected to have and this will preclude MCAP, the Mortgage Consultant and/or the Mortgage Services Provider from devoting all of their time and effort to the business of the Company. In addition, the directors and officers of MCAP, the Mortgage Consultant and/or the Mortgage Services Provider may have a conflict of interest in allocating their time between respective businesses and interests of MCAP, the Mortgage Consultant, the Mortgage Services Provider and the Company, and other businesses or projects in which they may become involved.

MCAP, the Mortgage Consultant and/or the Mortgage Services Provider may also manage, advise on or service Mortgages for institutional investors that may have investment objectives similar to those of the Company and may engage in transactions involving the same types of securities and instruments as offered to the Manager for sale to the Company. Such transactions may be executed independently of those involving the Manager and the Company, and thus at prices or rates that may be more or less favourable than those obtained by the Company. Likewise the Company is subject to a number of actual and potential conflicts of interest involving the Manager as further described in “Organization and Management Details of the Company – Conflict of Interest Matters”.

General Economic Conditions

The Mortgage financing industry in Canada continues to benefit from historically low and stable interest rates. There is a risk that an increase in interest rates could slow the pace of property sales and adversely affect growth in the Canadian Mortgage market, which could adversely affect the Company’s operations and stated growth initiatives. A decline in general economic conditions could also cause default rates to increase as creditworthiness decreases for borrowers. This could have a material adverse effect on the Company’s operating results.

In addition, a significant decline in real estate values could negatively affect the Company’s operating results and growth prospects as this may result in a decrease in the value of Mortgages. As property values decline, security on Mortgages could also be adversely affected, thereby reducing the ability to liquidate properties held by defaulting borrowers at favourable prices.

The Company’s Mortgage Portfolio may include assets whose values can fluctuate because of changing interest rates and economic and market conditions. In addition, some of these assets could be difficult to sell at any given time. Changes in interest rates and other market factors such as stock market prices and demographics could affect the preferences of its customers for different types of products and adversely impact the Company’s profitability. A reduction in positive spreads between Mortgage rates and capital market funding rates could have a material adverse effect on the Company’s operating results.

In addition, there are economic trends and factors that are beyond the Company’s control and which may affect its operations and business. Such trends and factors include adverse changes in the condition in the specific markets for the Company’s and MCAP’s products and services, the conditions in the broader market for Single Family Residential Mortgages and Other Mortgages and the conditions in the domestic or global economy generally. Although the Company’s performance is affected by the general condition of the economy, not all of its service

areas are affected equally. It is not possible for the Company's management to accurately predict fluctuations and the impact of such fluctuations on performance.

Restrictions on Ownership and Repurchase of Class A Shares

No Shareholder of the Company is permitted, together with Related Persons, at any time, to hold more than 25% of any class of the issued shares of the Company. The terms and conditions of the Class A Shares provide that the portion of such Class A Shares held by a Class A Shareholder, together with Related Persons, that exceeds 24.9% of the issued Class A Shares will be repurchased by the Company on the same terms as an annual redemption completed on the applicable date. Such repurchases of Class A Shares could be significant and could engender similar risks to those that arise in the context of significant redemptions of Class A Shares. See "Risk Factors – Redemption Risks".

Failure or Unavailability of Computer and Data Processing Systems and Software

MCAP is dependent upon the successful and uninterrupted functioning of its computer and data processing systems and software. The failure or unavailability of these systems could interrupt operations or materially impact MCAP's ability to originate, monitor or service customer accounts. If sustained or repeated, a system failure or loss of data could negatively affect the ability of MCAP to discharge its duties to the Company. In addition, MCAP depends on automated software to collect payments on Mortgages. If such software fails or is unavailable on a prolonged basis, MCAP could be required to manually complete such activities, which could have a material adverse effect on MCAP's ability to discharge its duties to the Company.

Subordinate and Non-Conventional Financing

Subordinate financing (such as a second charge Mortgage), which, subject to the Investment Restrictions, may be carried on by the Company in accordance therewith, is generally considered a higher risk than first ranking financing. Subject to the Investment Restrictions, Portfolio Mortgages will be secured by a charge, which may be in a first, but may often be a subsequent ranking position upon or in the underlying Real Property. When a charge on Real Property is in a position other than first ranking, it is possible for the holder of a prior charge on the Real 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 Real Property in order to realize the security given for such loan. Such actions may include a foreclosure action, or an action forcing the Real Property to be sold. A foreclosure action may have the ultimate effect of depriving any person having other than a first ranking charge on the Real Property of the value of their security of the Real Property. If an action is taken to sell the Real Property and sufficient proceeds are not realized from such sale to pay off all creditors who have prior charges on the Real Property, the holder of a subsequent charge will lose their investment or part thereof to the extent of such deficiency unless they can otherwise recover such deficiency from other property, if any, owned by the debtor. Where permitted by the Investment Restrictions, and when the Company invests in a second or subsequent Mortgage, it will also hold the first Mortgage or have a written agreement with the holder of the first charge to deal with permitted actions and procedures on the default of the Mortgage. The Company may make an investment in a Mortgage where its Loan-to-Value exceeds 80%, which exceeds the investment limit for conventional Mortgage lending by Schedule A Banks.

Change in Legislation

There can be no assurance that certain laws applicable to the Company or to MCAP, including Canadian federal and provincial tax laws, tax proposals, securities laws including the definition and regulation of investment funds, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the Company or MCAP or fundamentally alter the tax consequences to Class A Shareholders acquiring, holding or disposing of Class A Shares. The Canadian Securities Administrators recently published proposed amendments (the "**Proposed Amendments**") to the regulation of investment funds. If the Proposed Amendments are enacted in their current form, the Company will be restricted in its ability to invest in non-guaranteed mortgages unless it is able to obtain exemptive relief or takes steps to cease to be regulated as an investment fund and instead be regulated as a corporate issuer. The Proposed Amendments are subject to a notice and comment procedure followed by the Canadian Securities Administrators and may be subject to future alteration. Accordingly, it is unclear what impact any final enacted amendments may have on the Company.

Changes in Mortgage Financing Regulations and Guidelines

There can be no assurance that future regulatory and guideline changes will not adversely affect the Company or MCAP, including changes resulting in limited Mortgage investment opportunities and increased competition from FRFIs offering similar products. In the event of such increased competition, MCAP may not be able to raise the interest rates it charges in response to a rising cost of funds or may be forced to lower the interest rates that it is able to charge borrowers, which has the potential to reduce the value of the Portfolio Mortgages that the Company has purchased from MCAP or the return on or yield of Portfolio Mortgages that the Company may purchase from MCAP. This could have a material adverse effect on the Company's business, financial condition and results of operations and on the amount of cash available for distribution to be made on the Class A Shares.

Environmental Matters

On behalf of the Company, the Mortgage Services Provider may in the future take possession, through enforcement proceedings, of Real Properties that secured defaulted Portfolio Mortgages to recover the Company's investment in such Portfolio Mortgages. Prior to taking possession of Real Properties which secure a Mortgage investment, the Mortgage Services Provider will assess the potential environmental liability associated with such enforcement and determine whether it is significant, having regard to the value of the Real Property. If the Mortgage Services Provider subsequently takes possession of the Real Property, the Company could be subject to environmental liabilities in connection with such Real Property, which could exceed the value of the property.

DISTRIBUTION POLICY

At the beginning of each year, the Company intends to determine and announce the amount of the monthly cash distribution that the Company intends to pay (the "**Indicative Distribution Amount**") for the following 12 months based upon the prevailing market conditions. The initial Indicative Distribution Amount will be approximately \$0.05 per Class A Share per month (\$0.60 per annum representing an annual cash distribution as dividends of 6% based on the \$10.00 per Class A Share issue price). The initial cash distribution is anticipated to be payable on or before September 15, 2013 to Class A Shareholders of record on August 31, 2013. Distributions will be declared from time to time by the directors of the Company, acting in their sole discretion, out of the assets of the Company available for the payment of dividends and other distributions. Class A Shareholders are entitled to receive distributions as and when declared. The Company intends to make monthly cash distributions to Class A Shareholders of record on the last Business Day of each month and pay such cash distributions on or before the 15th day of the following month. Notwithstanding the above, the Company has the right to determine a record date that is other than the last Business Day of each month.

The Manager believes that, based on current market conditions, the interest income generated from the Mortgage Portfolio will be in excess of that required for the Company to maintain a stable NAV per Share (after accounting for the fees and expenses of the Offering) while making the initial cash distributions of \$0.60 per annum per Class A Share as dividends. The amount of monthly cash distributions may fluctuate from month to month and there can be no assurance that the Company will make any distributions in any particular month or months. If the Company's revenues, including interest income and fees, less expenses is less than the amount necessary to fund the monthly distributions, the Company may not pay the full Indicative Distribution Amount. Alternatively, the Company may return a portion of its capital to Class A Shareholders to ensure that monthly distributions are paid, which would reduce the NAV per Share.

Following the closing of the Offering and subject to applicable regulatory approval, the Company may adopt a DRIP, pursuant to which Class A Shareholders will be entitled to elect to have dividends and other distributions of the Company automatically reinvested in additional Class A Shares at a price per Class A Share calculated by reference to the volume weighted average trading price on the TSX for the ten trading days immediately preceding the relevant distribution payment date. No brokerage commission will be payable in connection with the purchase of Class A Shares under the DRIP and all administrative costs will be borne by the Company. Class A Shareholders resident outside of Canada will not be entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Class A Shareholder must terminate his or her participation in the DRIP.

The Manager will make available to each Shareholder annually within the time periods prescribed by law, the information necessary to enable such Shareholder to complete an income tax return with respect to amounts paid by the Company to the Shareholder in the preceding taxation year of the Company.

See "Canadian Income Tax Considerations" and "Risk Factors".

PURCHASE OF CLASS A SHARES

The Company proposes to issue Class A Shares at a price of \$10.00 per Class A Share with a minimum Offering amount of \$● (● Class A Shares) and a maximum Offering amount of \$100,000,000 (10,000,000 Class A Shares). Prospective purchasers may subscribe for such Class A Shares through the Agents or any member of a sub-agent group that the Agents may form.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Book-entry only certificates representing the Class A Shares will be issued in registered form to CDS or its nominee and will be deposited with CDS on the date of the Closing of the Offering, which is expected to occur on or about ●, 2013, or such later date as the Company and the Agents may agree, but in any event not later than ●, 2013. A purchaser of Class A Shares will receive only a customer confirmation from a registered dealer that is a CDS Participant and from or through which the Class A Shares are purchased.

REDEMPTION OF CLASS A SHARES

Annual Redemptions

Subject to the restrictions set forth under “Redemption of Class A Shares – Limitation and Suspension of Redemptions” below, commencing in December, 2014, outstanding Class A Shares may be surrendered for redemption to the Company’s registrar and transfer agent (the “**Annual Redemption Right**”) during the period from the first Business Day of November until 4:00 p.m. (Toronto time) on the 15th day of November, or the immediately preceding Business Day in the event that the 15th day is not a Business Day (the “**Annual Redemption Notice Period**”). Payment of the proceeds of redemption will be made on or before the 10th Business Day of January each year, beginning in 2015 (the “**Annual Redemption Payment Date**”). Shareholders whose Class A Shares are so surrendered for redemption will be entitled to receive a redemption price per Class A Share (the “**Annual Redemption Price**”) equal to the NAV per Share on the applicable Annual Redemption Date, less any costs associated with the redemption including commissions and other such costs, if any, related to the liquidation of any portion of the Mortgage Portfolio required to fund such redemption. See “Calculation of Net Asset Value”.

Exercise of Redemption Privileges

A Class A Shareholder who desires to exercise their redemption privileges pursuant to the Annual Redemption Right must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the Class A Shareholder, a written notice of the Class A Shareholder’s intention to redeem such Class A Shares, no later than 4:00 p.m. (Toronto time) on the relevant notice date. Accordingly, a Class A Shareholder who desires to put Class A Shares for redemption should ensure that the CDS Participant is provided with a redemption notice sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The form of redemption notice will be available from a CDS Participant. Any expense associated with the preparation and delivery of redemption notices will be for the account of the Class A Shareholder exercising the redemption privilege.

By causing a CDS Participant to deliver to CDS a redemption notice, a Class A Shareholder shall be deemed to have irrevocably surrendered his or her Class A Shares for redemption and appointed such CDS Participant to act as exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Annual Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Company. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Class A Shareholder exercising the redemption privilege.

Any redemption notice which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the Class A Shareholder’s instructions will not give rise to any obligations or liability on the part of the Company or the Manager to the CDS Participant or to the Class A Shareholder.

Limitation and Suspension of Redemptions

The Company will not accept for redemption, on any Annual Redemption Date, Class A Shares representing more than 15% of the average number of Class A Shares outstanding for the 180-day period immediately preceding the Annual Redemption Date. In the event that the number of Class A Shares tendered for redemption in respect of an Annual Redemption Date exceeds the limits set forth above, the Company will redeem Class A Shares tendered for redemption and not withdrawn or revoked, on a pro rata basis.

Notwithstanding the foregoing limitations on redemption, the directors of the Company may, in their sole discretion, waive the above limitations in respect of all Class A Shares tendered for redemption in respect of any one or more Annual Redemption Dates.

The Company may suspend the redemption of Class A Shares or payment or redemption proceeds with the prior permission of the Canadian Securities Regulators, where required, for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of Mortgages comprising 50% or more (by outstanding principal amount) of the Mortgage Portfolio or which impair the ability of the Manager to determine the value of the assets of the Company or the Mortgage Portfolio, the Company may suspend redemptions of its Class A Shares. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Shareholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the next Annual Redemption Date following the termination of the suspension or such other date as the Manager may determine upon the conditions giving rise to such suspension having ceased to exist or no longer being applicable. All such Shareholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with the rules and regulations promulgated by any governmental body having jurisdiction over the Company, any declaration of suspension made by the Manager shall be conclusive.

CANADIAN INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and Stikeman Elliott LLP, counsel to the Agents, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax consequences generally applicable to the acquisition, holding and disposition of Class A Shares by an investor who acquires Class A Shares pursuant to this Offering. This summary only applies to an investor who, for the purposes of the Tax Act, is a resident of Canada, deals at arm's length and is not affiliated with the Company and holds the Class A Shares as capital property. The Class A Shares will generally be considered to constitute capital property to an investor unless the investor either holds the Class A Shares in the course of carrying on a business of trading or dealing in securities or has acquired the Class A Shares in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain investors who are resident in Canada and whose Class A Shares do not otherwise qualify as capital property may, in certain circumstances, make an irrevocable election to have their Class A Shares and every other "Canadian security" (as defined in the Tax Act) owned by them deemed to be capital property.

This summary does not apply to an investor (i) that is a "specified financial institution" or a "financial institution" both as defined in the Tax Act; (ii) an interest in which constitutes a "tax shelter investment" within the meaning of the Tax Act; (iii) that reports its Canadian tax results in a "functional currency" (which excludes Canadian dollars); or (iv) that has entered or will enter into a "derivative forward agreement" (as that term is defined in proposed amendments contained in a Notice of Ways and Means Motion that accompanied the federal budget tabled by the Minister of Finance (Canada) on March 21, 2013) with respect to the Class A Shares.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "**Regulations**"), all specific amendments to the Tax Act and the Regulations publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the "**Proposals**"), the facts contained in this prospectus, a certificate of an officer of the Company as to certain factual matters, and counsel's understanding of the current administrative practices and assessing policies of the CRA that have been published in writing by it prior to the date hereof. Except for the Proposals, this summary does not take into account or anticipate any change in law, whether by legislative, governmental or judicial decision or action, or any changes in the administrative practices and assessing policies of the CRA, nor does it take into account other federal or any provincial, territorial or foreign tax

legislation or considerations, which may differ significantly from the tax considerations described herein. No assurance can be given that the Proposals will be enacted in the form proposed or at all.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Class A Shares. It is not intended to constitute tax advice to any prospective investor. The income tax consequences of acquiring, holding and disposing of Class A Shares will vary depending on the investor's particular circumstances, including the province in which the investor resides or carries on business. Investors are urged to consult their own income tax advisers with respect to their particular circumstances.

Status of the Company

Classification under Tax Act

This summary is based upon the assumption that the Company will qualify as a MIC at all relevant times. The Company has advised counsel that it intends to meet all of the requirements under the Tax Act to qualify as a MIC throughout its current taxation year and for all of its future taxation years. Counsel express no opinion as to the status of the Company as a MIC. If the Company were to not qualify as a MIC at any time, the income tax considerations would be materially different from those described below.

MIC Requirements

The following requirements must be met throughout a taxation year in order for the Company to qualify as a MIC for that taxation year:

- A. Canadian Corporation. The Company must be a "Canadian corporation", as defined in the Tax Act, which generally means a corporation incorporated or resident in Canada;
- B. Undertaking. The Company's only undertaking was the investing of its funds. The Company cannot have managed or developed any real or immovable property;
- C. Prohibited Foreign Investment. None of the property of the Company consisted of debts owing to the Company secured on real or immovable property situated outside Canada, debts owing to the Company by non-resident persons unless such debts were secured on real or immovable property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real or immovable property situated outside of Canada or any leasehold interest in such property;
- D. Shareholder Requirements. The Company had at least 20 shareholders. In addition, no shareholder (together with Related Persons, see below) of the Company at any time in the year owned, directly or indirectly, more than 25% of the issued shares of any class of the Company. Special rules apply for the purposes of counting shareholders that are registered pension plans or deferred profit sharing plans. The Tax Act provides that for the first taxation year of the Company in which it carried on business, this condition will be considered to have been met throughout such year provided that this condition is met on the last day of such year;
- E. Preferred Shareholders. Holders of preferred shares (as defined in the Tax Act) (if any) of the Company had the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of the Class A Shares, to participate pari passu (equally) with the holders of the Class A Shares in any further payment of dividends;
- F. 50% Asset Test. The cost amount for purposes of the Tax Act to the Company of its property in the form of or as a combination of money, debts secured on certain specified residential properties, and funds on deposit with a bank or other corporation any of whose deposits are insured by the Canada Deposit Insurance Corporation or the Régie de l'assurance-dépôts du Québec or a credit union (such debts and deposits referred to as "Required Property") constituted at least 50% of the cost amount to the Company of all of its property;
- G. 25% Asset Test. The cost amount for tax purposes to the Company of its property in the form of interests in real or immovable property (including leasehold interests in such property but excepting real or immovable property acquired by foreclosure after default by the mortgagor) did not exceed 25% of the cost amount to the Company of all of its property; and

- H. Debt to Equity Ratio. Where at any time in the year the cost amount to the Company for purposes of the Tax Act of its money and Required Property represented less than two-thirds of the aggregate cost amount to the Company of all of its property, the Company's liabilities may not exceed 75% of the cost amount to the Company of all its property. Where, however, throughout the year the cost amount to the Company of its money and Required Property represented two-thirds or more of the aggregate cost amount to the Company of all of its property, the Company's liabilities may not exceed 83.33% of the cost amount to the Company of all its property.

With respect to the requirement noted above that no shareholder (together with Related Persons) may own more than 25% of the shares of any class of the Company, for these purposes "**Related Persons**" include a corporation and the person or persons that control the corporation, a parent corporation and its subsidiary corporation(s) and corporations that are part of the same corporate group, and an individual and that individual's spouse, common law partner or child under 18 years of age. The rules in the Tax Act defining "Related Persons" are complex and holders should consult with their own tax advisors in this regard.

For the purposes of the 50% asset test noted above, the requirement is that the Company's investments must comprise the specified minimum amount of "debts" that are secured by mortgages, hypothecs or in any other manner, on "houses" as that term is defined in Section 2 of the *National Housing Act* (Canada) or on property included within a "housing project", pursuant to the Proposals, as that term is defined in that section as it read on June 16, 1999. Generally, a "house" for this purpose includes all or part of a building or moveable structure that is intended for human habitation containing not more than two family housing units, and pursuant to the Proposals "housing project" for this purpose means a project consisting of one or more houses, one or more multiple family dwellings, housing accommodation of the hostel or dormitory type, one or more condominium units or any combination thereof, together with any public space, recreational facilities, commercial space and other buildings appropriate to the project, but does not include a hotel. Counsel are of the opinion that Mortgages representing junior tranches of first mortgages and governed by participation agreements in the form reviewed by counsel would be secured "debts" for purposes of the 50% asset test if acquired on the date hereof.

Eligibility for Investment

If issued on the date hereof, the Class A Shares would be qualified investments under the Tax Act for a trust governed by a RRSP, a RRIF, a DPSP, a RDSP, a TFSA and a RESP, provided that the Company qualifies as a MIC throughout a taxation year and further provided that at any time in the relevant calendar year, the Company does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under the Plan, or of any other person who does not deal at arm's length with that person. The Class A Shares also will be qualified investments for such plans if the Class A Shares are listed on a designated stock exchange for the purposes of the Tax Act (which currently includes the TSX).

Notwithstanding that the Class A Shares may be qualified investments for a trust governed by a TFSA, RRSP or RRIF, the holder of a TFSA or annuitant under the RRSP or RRIF will be subject to a penalty tax if such securities are a "prohibited investment" for the trust governed by the TFSA, RRSP or RRIF, as applicable. The Class A Shares will generally not be a "prohibited investment" for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Company for purposes of the Tax Act, (ii) has a "significant interest" as defined in the Tax Act in the Company, or (iii) has a "significant interest" as defined in the Tax Act in a corporation, partnership or trust with which the Company does not deal at arm's length for purposes of the Tax Act. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Company unless the holder or annuitant, as the case may be, owns, directly or indirectly, 10% or more of the issued shares of any class of the capital stock of the Company (or of any related corporation), either alone or together with persons with which the holder or annuitant, as the case may be, does not deal at arm's length. 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 Class A Shares will generally not be a "prohibited investment" if the Class A Shares are "excluded property" as defined in the December 2012 Proposals for trusts governed by a TFSA, RRSP or RRIF.

Holdings or annuitants should consult their own tax advisors with respect to whether Class A Shares would be prohibited investments, including with respect to whether the Class A Shares would be "excluded property" as defined in the December 2012 Proposals.

Taxation of the Company

The Company will be considered to be a public corporation either on the basis that it qualifies as a MIC or on the basis that the Class A Shares are listed on the TSX. As a public corporation, the Company is subject to tax at the full general corporate income tax rates on its taxable income. However, provided the Company qualifies as a MIC, the Company may deduct in computing its income for a taxation year the amount of dividends paid to its shareholders as follows:

- A. all taxable dividends, other than capital gains dividends, paid by the Company to its shareholders during the year or within 90 days after the end of the year (to the extent not deductible in computing the Company's income for the previous year); and
- B. one-half of all capital gains dividends paid by the Company to its shareholders during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year.

The Company must elect to have a dividend qualify as a capital gains dividend. The Company may elect that dividends paid during a 12 month period commencing 91 days after the commencement of a taxation year and ending 90 days after the end of the year be capital gains dividends to the extent of the Company's capital gains for the year less any applicable capital losses. The election must be made in respect of the full amount of a dividend and can only be made if the Company qualifies as a MIC throughout the taxation year.

The Company has advised counsel that the Company intends to make distributions to the extent necessary to reduce its taxable income each year to nil so that no tax is payable by it under Part I of the Tax Act and to generally elect to have dividends treated as capital gains dividends to the maximum extent allowable.

Taxation of Class A Shareholders

Distributions

A Class A Shareholder is required to include in its income, as interest payable on a bond issued by the Company, any amount received by the Class A Shareholder from the Company as or on account of a taxable dividend (other than capital gains dividends), whether paid in cash or reinvested in Class A Shares.

Capital gains dividends received by a holder of Class A Shares (whether paid in cash or reinvested in Class A Shares) will be treated as a capital gain of the Class A Shareholder from a disposition of capital property in the year in which the dividend is received. See "Disposition of Class A Shares" below for the tax treatment of capital gains.

The gross up and dividend tax credit applicable to taxable dividends received by individuals from a taxable Canadian corporation will not apply to dividends paid by the Company.

Any amount paid by the Company to a Class A Shareholder on a return of capital will generally be deemed to be a dividend paid by the Company and received by the Class A Shareholder. This deemed dividend will be treated in the same manner as other dividends received by the Class A Shareholder from the Company, and its treatment will depend on whether the Company elects that the entire dividend be a capital gains dividend (to the extent that the Company has realized sufficient capital gains, net of any applicable capital losses, in the year). A return of capital on the Class A Shares will generally not affect the adjusted cost base of a Class A Shareholder's Class A Shares.

The amount of a dividend reinvested in additional Class A Shares will be the cost of such Class A Shares and will be averaged with the cost of other Class A Shares owned by the Class A Shareholder in determining the adjusted cost base of a Class A Shareholder's Class A Shares.

Disposition of Class A Shares

A sale or other disposition of a Class A Share by a Class A Shareholder (other than to the Company), including a deemed disposition, will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Class A Share exceed (or are exceeded by) the Class A Shareholder's adjusted cost base of such Class A Share and any reasonable disposition costs.

In general, one-half of a capital gain ("taxable capital gains") realized in the year by a Class A Shareholder on the disposition of Class A Shares will be included in the Class A Shareholder's income for the year, and one half of a capital loss ("allowable capital losses") realized in the year on such disposition of Class A Shares will be

deducted from the Class A Shareholder's taxable capital gains, if any, realized in such year. Allowable capital losses in excess of taxable capital gains for a particular year may generally be carried back three years or forward indefinitely and deducted against taxable capital gains realized in such years, subject to the detailed rules in the Tax Act.

Class A Shareholders realizing capital gains on the disposition of Class A Shares or receiving capital gains dividends on Class A Shares may be subject to alternative minimum tax under the Tax Act.

On a redemption or acquisition of Class A Shares by the Company, the Class A Shareholder generally will be deemed to have received, and the Company will be deemed to have paid, a dividend in an amount equal to the amount by which the redemption price exceeds the paid-up capital of the redeemed Class A Shares. This deemed dividend will be treated in the same manner as other dividends received by the Class A Shareholder from the Company, and its treatment will depend on whether the Company elects that the entire dividend be a capital gains dividend (to the extent the Company has realized sufficient capital gains, net of any applicable capital losses, in the year). The balance of the redemption price will constitute proceeds of disposition of the Class A Shares for purposes of the capital gains rules, as described above.

Taxation of Plans

Dividends received by a Plan on Class A Shares that are a qualified investment for such a Plan will be exempt from income tax in the Plan, as will capital gains realized by the Plan on the disposition of such Class A Shares. Withdrawals from Plans, other than a TFSA and an RESP in some cases, are generally subject to tax under the Tax Act.

Tax Implications of the Company's Distribution Policy

The NAV of a Class A Share may be attributable in part to income and capital gains that have been earned or accrued by the Company, but which have not yet been realized and/or paid out as a dividend or other distribution. If a Class A Shareholder invests in Class A Shares before a dividend is declared, the Class A Shareholder will be taxed on the full amount of any such dividend that is received by the Class A Shareholder (and similarly in the case of a deemed dividend resulting from a return of capital distribution). If the Company adopts a distribution policy of paying equal monthly distributions to Class A Shareholders of record on the last Business Day of each month, an investor who acquires a Class A Share late in the month but prior to the dividend or other distribution will pay tax on the entire dividend (or deemed dividend) though the Class A Shareholder will have only recently acquired Class A Shares.

ORGANIZATION AND MANAGEMENT DETAILS OF THE COMPANY

Officers and Directors of the Company

The Board of Directors of the Company currently consists of three members. Directors are appointed to serve as a director until such time as they retire or are removed and their successors are appointed. There is no chairman of the Board of Directors of the Company, and instead the director who chairs meetings rotates among the directors. The following table sets forth the name, municipality of residence and position of the directors and executive officers of the Company, and their respective principal occupations during the past five years.

Name and Municipality of Principal Residence	Position with the Company	Principal Occupation
PETER A. BRAATEN ⁽¹⁾⁽²⁾ Toronto, Ontario	Director	Director, Brompton Funds
MARK A. CARANCI ⁽¹⁾ Toronto, Ontario	President, Chief Executive Officer and Director	President and Chief Executive Officer, Brompton Funds
RAYMOND R. PETHER ⁽¹⁾⁽²⁾ Toronto, Ontario	Director	Director, Brompton Funds
CRAIG T. KIKUCHI Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Brompton Funds

Name and Municipality of Principal Residence	Position with the Company	Principal Occupation
CHRISTOPHER CULLEN Toronto, Ontario	Senior Vice-President	Senior Vice-President, Brompton Funds
JASON GOLETZ Toronto, Ontario	Vice-President	Vice-President, Sales & Marketing, Brompton Funds
MOYRA E. MACKAY Toronto, Ontario	Vice-President and Corporate Secretary	Vice-President and Corporate Secretary, Brompton Funds

- (1) Member of the Audit Committee.
- (2) Independent directors.

The biographies of such directors and officers are listed under “Officers and Directors of the Manager”.

The articles of incorporation of the Company provide that the Company will have a minimum of 1 and maximum of 10 directors. The Company currently has three directors, two of whom are independent (within the meaning of applicable securities laws).

The board of directors of the Company has an audit committee comprised of three directors, two of whom are independent (within the meaning of applicable securities laws). The audit committee assists the directors of the Company in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the Company and the quality and integrity of financial statements of the Company. Not less frequently than annually, the audit committee also reviews the Mortgage Portfolio for compliance with the Company’s investment restrictions. In addition, the audit committee is responsible for directing the auditors’ examination of specific areas and for the selection of potential independent auditors to be appointed by the Manager.

The officers of the Company and the directors of the Company receive no compensation from the Company in such capacities. See “Organization and Management Details of the Company – Independent Review Committee” for information concerning the compensation of the IRC.

Manager

Brompton Funds Limited is the manager and portfolio advisor of the Company and was formed pursuant to the *Business Corporations Act* (Ontario) by Articles of Amalgamation dated September 28, 2010. Brompton provides management, and provides or arranges investment management, services for the Brompton Group. The Manager’s head office is located at Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, Toronto, Ontario, M5J 2T3. The Manager is a member of the Brompton Group, a provider of investment management and portfolio advisory services to TSX-listed investment funds since 2002 with assets under management of approximately \$1.4 billion as of December 31, 2012.

Duties and Services to be Provided by the Manager

The Manager will act as the manager and portfolio advisor of the Company pursuant to the Management Agreement between the Company and the Manager. The Manager may, pursuant to the terms of the Management Agreement, delegate certain of its powers to third parties at no additional cost to the Company where, in the discretion of the Manager, it is in the best interest of the Company to do so. Under the Management Agreement, the Manager, in its capacity as investment fund manager of the Company, will provide services relating to the administration and management of the Company including, but not limited to: (i) preparing accounting, management and Class A Shareholder tax reports, financial statements, and tax returns; (ii) calculating and monitoring the NAV; (iii) monitoring the Company’s compliance with applicable law, including application regulations and listing exchange rules; (iv) negotiating commercial agreements on behalf and for the benefit of the Company; (v) controlling the operating expenses of the Company; and (vi) performing such other administration or management services as the Company may require from time to time. Additionally, pursuant to the Management Agreement, the Manager, in its capacity as portfolio advisor to the Company, will provide services in respect of the Mortgage Portfolio (which may be delegated, subject to applicable law, to the Mortgage Consultant under the Mortgage Consulting Agreement), including but not limited to: (i) providing investment advisory services; (ii) executing the Company’s investment strategy and objectives subject to its Investment Restrictions; (iii) making investment

decisions with respect to the Mortgage Portfolio; (iv) arranging for the execution of Mortgage Portfolio transactions with or through brokers, dealers and/or other duly qualified persons and upon notice to the Custodian; and (v) providing such other portfolio advisory and related services as the Company may require from time to time.

Details of the Management Agreement

Under the Management Agreement, the Manager will covenant to exercise its powers and discharge its duties under the Management Agreement honestly, in good faith and in the best interests of the Company, and with the care, diligence and skill of a reasonably prudent person in similar circumstances. The Management Agreement will provide that if the Manager has satisfied the duties and the standard of care, diligence and skill set forth above, it will be indemnified for all losses in respect of the Company, the Mortgage Portfolio and the NAV, except those resulting from the Manager’s willful misconduct, bad faith, gross negligence or material breach of its obligations under the Management Agreement.

The services to be provided by the Manager under the Management Agreement are not exclusive to the Company and nothing in the Management Agreement will prevent the Manager from providing similar Mortgage management and portfolio advisory services to other persons (whether or not their investment objectives and policies are similar to those of the Company) or from engaging in other activities.

Unless the Manager resigns or is terminated, as described below, the Manager will continue as the investment fund manager and portfolio advisor of the Company. The Management Agreement will be terminated effective immediately upon the occurrence of an Event of Default (as defined in the Management Agreement). Additionally, subject to the rights of the Class A Shareholders to terminate or replace the Manager as contemplated in “Shareholder Matters - Matters Requiring Class A Shareholder Approval”, the Management Agreement will be terminated, despite no Event of Default having occurred, if (i) the termination of the Management Agreement is required by or advisable in respect of a change in applicable law, including but not limited to a change in applicable securities laws as a result of which it may be required or advisable that the Company no longer have an investment fund manager or portfolio advisor, including because the Company may no longer be regulated as an investment fund, or (ii) the board of directors of the Company determines that it is in the best interests of the Company to replace the Manager.

The Manager is entitled to a fee for its services under the Management Agreement as further described in “Fees and Expenses – Management Fees and Operating Expenses”.

Officers and Directors of the Manager

The name and municipality of residence of each of the directors, executive officers and portfolio managers of the Manager and their principal occupation are as follows:

Name and Municipality of Residence	Position with the Manager	Principal Occupation
PETER A. BRAATEN ⁽¹⁾ Toronto, Ontario	Director	Director, Brompton Funds
MARK A. CARANCI ⁽¹⁾ Toronto, Ontario	President, Chief Executive Officer and Director	President and Chief Executive Officer, Brompton Funds
RAYMOND R. PETHER ⁽¹⁾ Toronto, Ontario	Director	Director, Brompton Funds
CRAIG T. KIKUCHI Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Brompton Funds
CHRISTOPHER CULLEN Toronto, Ontario	Senior Vice-President	Senior Vice-President, Brompton Funds
LAURA LAU Toronto, Ontario	Senior Vice-President and Senior Portfolio Manager	Senior Vice-President, Brompton Funds
MICHAEL D. CLARE Toronto, Ontario	Vice-President and Portfolio Manager	Vice-President, Brompton Funds
JASON GOLETZ Toronto, Ontario	Vice-President, Sales & Marketing	Vice-President, Sales & Marketing, Brompton Funds

Name and Municipality of Residence	Position with the Manager	Principal Occupation
NEIL LIPMAN Toronto, Ontario	Regional Vice President, Sales & Marketing	Regional Vice-President, Sales & Marketing, Brompton Funds
MOYRA E. MACKAY Toronto, Ontario	Vice-President and Corporate Secretary	Vice-President and Corporate Secretary, Brompton Funds
MICHELLE TIRABORELLI Toronto, Ontario	Vice-President	Vice-President, Brompton Funds
ANN WONG Mississauga, Ontario	Vice-President & Controller	Vice-President & Controller, Brompton Funds
KATHRYN BANNER Toronto, Ontario	Assistant Vice-President & Assistant Corporate Secretary	Assistant Vice-President & Assistant Corporate Secretary, Brompton Funds

(1) Member of the Audit Committee.

The following is a brief description of the background of the directors and officers of the Manager.

Peter A. Braaten (Director): Mr. Braaten has over 40 years of experience in the investment business in Canada and the United Kingdom and co-founded the Brompton Group in 2000. In addition to his position as a director of Brompton Funds, he is Chairman of the Brompton Group. Mr. Braaten was one of the founders of a financial services organization in 1979 and was a partner of the organization from 1981 to 1998. Mr. Braaten has also held a number of positions with an investment management firm, an investment bank and two Canadian banks and was President and Chief Executive Officer of two public oil & gas companies. Mr. Braaten received an Honours Bachelor of Arts degree in Economics and Mathematics from the University of Western Ontario and a Master of Business Administration degree from the University of British Columbia.

Mark A. Caranci (President, Chief Executive Officer and Director): Mr. Caranci has over 20 years of experience in the investment business, merchant banking and public accounting and as principal of the Brompton Group, participates in the direction of all activities in the group. Mr. Caranci was appointed as the Chief Financial Officer of the Brompton Group in 2000 and in April 2007, Mr. Caranci was appointed President, Chief Executive Officer and director of Brompton Funds. From 1996 to 2000, Mr. Caranci was Vice-President of a financial services organization. Mr. Caranci has held various senior positions with public companies, including Chief Financial Officer of a public energy services income trust and Vice-President of Finance of several public oil & gas companies. Prior to 1996, Mr. Caranci worked at PricewaterhouseCoopers LLP, Chartered Accountants. Mr. Caranci is a Chartered Accountant and is a member of the Ontario Institute of Chartered Accountants and received a Bachelor of Commerce degree from the University of Toronto.

Raymond R. Pether (Director): Mr. Pether has over 35 years of experience in the investment business having held numerous high level positions in investment management, oil & gas, banking and real estate finance. Mr. Pether co-founded the Brompton Group in 2000 and participates in the direction of all activities in the group, and is a director of Brompton Funds. Mr. Pether received a Bachelor of Arts degree in Economics from the University of Western Ontario and a Master of Business Administration degree from McMaster University.

Craig T. Kikuchi (Chief Financial Officer): Mr. Kikuchi has over 16 years of financial experience with public and private companies. Mr. Kikuchi joined the Brompton Group in 2002 as Controller, served as Vice-President and became Chief Financial Officer of Brompton Funds in October 2006. Mr. Kikuchi worked for PricewaterhouseCoopers LLP from September 1996 to January 2002, where he held progressively senior roles, including the role of manager in both the assurance and business advisory services practice and the taxation and legal services practice. Mr. Kikuchi is a Chartered Accountant and is a member of the Ontario Institute of Chartered Accountants. He is also a CFA charterholder and is a member of the Toronto CFA Society. He received a Bachelor of Arts degree in Economics from the University of Western Ontario.

Christopher Cullen (Senior Vice-President): Mr. Cullen has over 14 years of professional experience in banking, securities, and engineering. Mr. Cullen joined the Brompton Group in March of 2006 and is Senior Vice-President of Brompton Funds. Previously Mr. Cullen was a Commercial Banking Manager at Canadian Imperial Bank of Commerce, and prior to this he was a Research Associate with UBS Securities (Canada). From 1997 to 1999, Mr. Cullen was a Process Engineer with an international engineering consultant. Mr. Cullen is a CFA charterholder and is a member of the Toronto CFA Society. Mr. Cullen graduated with a Bachelor of Applied

Science in Chemical Engineering and Applied Chemistry from the University of Toronto and a Master of Business Administration from the Rotman School of Management, also at the University of Toronto.

Laura Lau (Senior Vice President and Senior Portfolio Manager): Laura Lau has over 19 years of experience in financial services and is Senior Vice President and the Senior Portfolio Manager with Brompton Group. Prior to joining Brompton, she was a Senior Portfolio Manager at Sentry Select Capital Inc. from 2004 to 2011 where she co-managed over \$500 million in resource portfolios including the NCE flow-through funds. In 2011, Ms. Lau received the Brendan Woods TopGun Investment Mind Award which is awarded to portfolio managers for their depth of inquiry, insight and knowledge of the Canadian market and sectors they invest in based on votes from sell-side analysts. She was also the co-manager of the Sentry Canadian Resource Class: winner of a 2011 Canadian Lipper Fund Award for best fund over one year in the natural resources equity category. She was lead manager for a five-star Morningstar rated Sentry Energy Growth and Income Fund. Prior to Sentry, Ms. Lau has worked as an investment analyst at Spectrum Mutual Funds, CI Financial, and Mackenzie Financial. Ms. Lau is a CFA charterholder and is a member of the Toronto CFA Society. Ms. Lau graduated with a Bachelor of Applied Science in Industrial Engineering from the University of Toronto.

Michael D. Clare (Vice President and Portfolio Manager): Mr. Clare specializes in equity security selection with a focus on the energy sector. Prior to joining Brompton in 2012, Mr. Clare was a portfolio manager at Creststreet Asset Management Limited (“Creststreet”) and was a portfolio manager on the Creststreet flow-through funds as well as the development analysis and trading execution of investments for Creststreet’s funds. Mr. Clare also specializes in the analysis of crude oil and natural gas markets and is the portfolio manager for the Brompton Energy Opportunities Fund (formerly Creststreet Energy Opportunities Fund). Prior to joining Creststreet in 2008, Mr. Clare began his career with Deloitte & Touche LLP. Mr. Clare holds a Bachelor of Commerce (Honours) degree from Queen’s University and has earned the Chartered Accountant (CA) and the Chartered Financial Analyst (CFA) designations.

Jason Goletz (Vice-President, Sales & Marketing): Mr. Goletz has over 18 years of experience in the investment and financial services industry. Mr. Goletz joined Brompton in 2012 and is Vice-President, Sales & Marketing. Prior to his role at Brompton, Mr. Goletz held various senior sales and marketing positions with private and public fund companies and investment dealers including Qwest Investment Management Corporation, Integral Wealth Securities Limited, and Sentry Select Capital Inc. Mr. Goletz received a Bachelor of Arts degree in Economics from the University of Toronto.

Moyra E. MacKay (Vice-President and Corporate Secretary): Ms. MacKay has over 30 years of experience in the investment business having held positions in real estate and resource finance and investment and financial services companies and is a principal of the Brompton Group. Ms. MacKay is Vice-President and Corporate Secretary of Brompton Funds. Prior to joining the Brompton Group in 2000, Ms. MacKay was Vice-President of a Canadian issuer of flow-through investment funds and was Vice-President of three public oil & gas companies and a financial services organization that was registered with the Securities and Futures Authority in London, U.K. Ms. MacKay received a Bachelor of Arts degree from the University of Western Ontario.

Neil Lipman (Regional Vice President, Sales & Marketing): Neil Lipman is the Regional Vice President, Sales & Marketing. Mr. Lipman joined Brompton in 2012 with over 11 years of financial services experience. In 2001, he joined the Investment Counsel division of RBC Dominion Securities Inc. From 2002 to 2010, Neil served as Assistant Vice President, Sales, for Northwest & Ethical Investments LP, managing a team of sales professionals in helping to build strong relationships with key customers throughout the industry. Neil is a graduate of York University and holds the Canadian Investment Manager (CIM) designation from the Canadian Securities Institute.

Michelle Tiraborelli (Vice-President): Ms. Tiraborelli has been working in the financial industry since 2006 and joined Brompton Funds in 2010. Prior to joining the Brompton Group, Ms. Tiraborelli was an Investment Advisor with BMO Nesbitt Burns. She has also worked as an Analyst with a Toronto based corporate development consulting firm focused on private company mergers & acquisitions, and business expansion. Ms. Tiraborelli received a Bachelor of Science, Honours degree from Queen’s University. She also holds a Master of Business Administration degree from the Hong Kong University of Science and Technology, having studied jointly at the HKUST Business School in Hong Kong and New York University’s Stern School of Business.

Ann Wong (Vice-President and Controller): Ms. Wong has over ten years of financial experience with public and private companies and is Vice-President and Controller of Brompton Funds. Prior to joining the

Brompton Group, Ms. Wong was a Senior Manager in the Treasury Finance group of Canadian Imperial Bank of Commerce, and also worked for PricewaterhouseCoopers LLP as a manager in the assurance and business advisory services practice. Ms. Wong is a Chartered Accountant, a member of the Ontario Institute of Chartered Accountants and a Certified Public Accountant from the State of Delaware. She is also a CFA charterholder and a member of the Toronto CFA Society. She received a Bachelor of Arts degree and a Master of Accounting degree from the University of Waterloo.

Kathryn Banner (Assistant Vice-President and Assistant Corporate Secretary): Ms. Banner has been involved in the financial industry for over 14 years. Since joining the Brompton Group in 2000, Ms. Banner has held progressively senior roles and is currently Assistant Vice-President and Assistant Corporate Secretary of Brompton Funds with a focus on regulatory, compliance and corporate services. From 1996 to 2000, Ms. Banner was employed by a financial services company. She has been involved with investment funds, a public energy services income trust and both international and domestic oil and gas companies. She received a Bachelor of Arts degree and a Master of Arts degree from the University of Waterloo.

Independent Review Committee

In accordance with NI 81-107, an IRC has been established for the Company. The biographical information of the members of the IRC of the Company is set forth below:

James W. Davie: Mr. Davie has over 30 years of investment banking experience and currently serves as a corporate director. Mr. Davie has held a number of senior positions at RBC Dominion Securities Inc. since 1973 including Managing Director of Investment Banking and, from 1987 to 1999, head of Equity Capital Markets. Mr. Davie received a Bachelor of Commerce degree from the University of Toronto and a Master of Business Administration degree from Queen's University.

Arthur R.A. Scace: Mr. Scace is an independent director and former partner of McCarthy Tétrault LLP and has over 35 years of legal and business experience. Mr. Scace began his career at McCarthy Tétrault LLP in 1967 and became a partner in 1972. Mr. Scace served as the Managing Partner of the Toronto office from 1989 to 1996 and as the firm's National Chairman from 1997 to 1999. Mr. Scace received a Bachelor of Arts degree from the University of Toronto, a Bachelor of Law degree from Oxford University as a Rhodes Scholar, a Master of Arts degree from Harvard University, and a Bachelor of Laws degree from Osgoode Hall Law School at York University. Mr. Scace is also a Queen's Counsel, has been appointed as a member of the Order of Canada and has received honorary Doctorates of Law from The Law Society of Upper Canada, York University, the University of Toronto and Trinity College of the University of Toronto. Mr. Scace is former Chairman of the Board of Directors of The Bank of Nova Scotia and a director of several other Canadian companies, and is a former Treasurer of The Law Society of Upper Canada.

Ken S. Woolner: Mr. Woolner has over 20 years of experience in the oil and gas industry and currently serves as President, Chief Executive Officer and Director of Velvet Energy Ltd., a private Calgary based production and exploration company. From February 2006 to June 2011 he served as a corporate director. From April 2005 to February 2006, Mr. Woolner was Executive Chairman of White Fire Energy Ltd., a public oil and gas company operating in Western Canada and a trustee of Sequoia Oil & Gas Trust. Mr. Woolner was President and Chief Executive Officer of Lightning Energy Ltd. from December 2001 to April 2005, when it merged with Argo Energy Ltd. to create Sequoia Oil & Gas Trust and White Fire Energy Ltd. Mr. Woolner was the President and Chief Executive Officer and a director of Velvet Exploration Ltd. from April 1997 to July 2001 when it was acquired by El Paso Oil & Gas Inc., and was a director of El Paso Oil and Gas Canada Inc. from July 2001 to May 2002. Mr. Woolner is a professional engineer and received a Bachelor of Science degree in Geological Engineering from the University of Toronto.

In addition to the three initial members of the IRC set forth above, one additional member will be suggested by the Manager, on the recommendation of MCAP, for appointment to the IRC in accordance with NI 81-107, at a date to be determined following the Closing.

Each member of the IRC currently receives total compensation of up to \$10,000 per annum for serving as a member of the IRC of the Company. The members are reimbursed for out-of-pocket expenses and for attending meetings of the IRC. In addition, the Company will be responsible for all fees and expenses of maintaining the IRC, which will be included in the operating expenses of the Company. In future years, the IRC members will set their own reasonable compensation in accordance with NI 81-107. The IRC has the authority, pursuant to NI 81-107, to

retain independent counsel or other advisors at the expense of the Company if the members deem it necessary to do so.

The members of the IRC will be indemnified by the Manager and the Company as permitted by NI 81-107. The IRC members are not responsible for the investments made by the Company, or for the performance of the Company. The members of the IRC may serve in a similar capacity in respect of other investment funds managed by the Manager or others.

The mandate of the IRC is to consider, and to recommend or approve, the Manager's proposed course of action in response to conflict of interest matters that are referred to it by the Manager. The IRC has adopted a written charter that prescribes its mandate, its responsibilities and functions and the policies and procedures that govern its activities. For purposes of NI 81-107, a conflict of interest matter is any situation where a reasonable person would consider the Manager, MCAP, the Mortgage Consultant, the Mortgage Services Provider or any person related to the Manager, MCAP, the Mortgage Consultant or the Mortgage Services Provider, to have an interest that may conflict with the ability of the Manager, MCAP, the Mortgage Consultant or the Mortgage Services Provider, respectively, to act in good faith.

Pursuant to NI 81-107, the Manager is required to identify and refer conflict of interest matters to the IRC and to seek its recommendation or approval respecting the Manager's proposed course of action to address such conflicts of interest including any related policies and procedures that are to be adopted by the Manager. Certain matters require the IRC's approval, but in most cases the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager's proposed course of action provides a fair and reasonable result for the Company. For recurring conflict of interest matters, the IRC can provide the Manager with standing instructions.

The IRC will prepare a report, at least annually, of its activities for the Shareholders which will be available on the Manager's website at www.bromptongroup.com, or at a Shareholder's request at no cost, by contacting the Manager at info@bromptongroup.com.

The IRC will update at least annually the Class A Shareholders of the Company on its activities, as required by NI 81-107. The reports of the IRC will be available free of charge from the Manager on request by contacting the Manager at its office and will be posted on the Manager's website at www.bromptongroup.com. The reports of the IRC will be available on or about March 31st of each year.

MCAP

The Company's principal advantage in the Canadian Single Family Residential Mortgage market is its ability to benefit from the capabilities, expertise and competitive advantages of MCAP.

MCAP and its predecessors have been originating and servicing Mortgages in Canada for over 20 years. Over this period, MCAP has originated and serviced Mortgages for a wide variety of major Canadian institutions seeking exposure to the Canadian Mortgage market. MCAP currently services approximately \$36 billion in Mortgages, approximately \$33.6 billion of which is invested in Single Family Residential Mortgages. Given the extent to which MCAP works on behalf of FRFIs, MCAP is required to comply with Mortgage origination and servicing practices determined by OSFI. This provides MCAP with an extensive familiarity with the Canadian Mortgage regulatory system. MCAP also has significant prior experience with MICs. MCAN, an OSFI regulated MIC, registered under the *Trust and Loan Companies Act (Canada)* and listed on the TSX, is one of the two A unitholders of MCAP Commercial LP, MCAP's parent entity. MCAN invests in Canadian Mortgage assets that are mostly originated and serviced by MCAP. As of December 31, 2012, MCAN had consolidated assets of \$2.9 billion. MCAP Commercial LP's other A unitholder is an indirect subsidiary of Caisse de dépôt et placement du Québec, one of the largest institutional fund managers in Canada with net assets under management of \$176.2 billion as of December 31, 2012. MCAP's involvement in the Company represents the first time MCAP has made its Mortgage origination and servicing platform and expertise available to the non-institutional retail market.

MCAP operates under a proven business model, which includes a variety of Mortgage products originated across Canada and funded with strong, long lasting relationships with institutional investors utilizing a wide array of funding structures and vehicles. This business model is augmented by a prudent balance sheet and effective warehouse management.

Competitive Advantages

Long history with strong shareholders

MCAP and its predecessors have been originating loans in all segments of the Mortgage market since 1991. MCAP was initially majority owned by one of Canada's leading life insurance providers. Over the course of its history, MCAP has underwritten, originated and serviced Mortgages for insurance companies, institutional investors, major Canadian banks and other financial institutions. Previously, MCAP jointly owned a subsidiary company dedicated to the origination and servicing of Single Family Residential Mortgages with a Schedule A Bank and a major Canadian insurance company. While this particular subsidiary is now wholly-owned by MCAP Commercial LP, the subsidiary continues to originate and service mortgages for its former joint owners as well as many other banks and institutional investors. MCAP Commercial LP's major unitholder is an indirect subsidiary of the Caisse de dépôt et placement du Québec, a fund manager with net assets under management of \$176.2 billion as of December 31, 2012. MCAP is also partially owned by MCAN, which is a MIC, listed on the TSX (Symbol: MKP). This ownership and support structure facilitates MCAP's ability to provide superior economic value to its customers while maintaining an unsurpassed reputation in the Canadian Mortgage lending industry for adherence to investor and lender standards, regulatory compliance, integrity and trust.

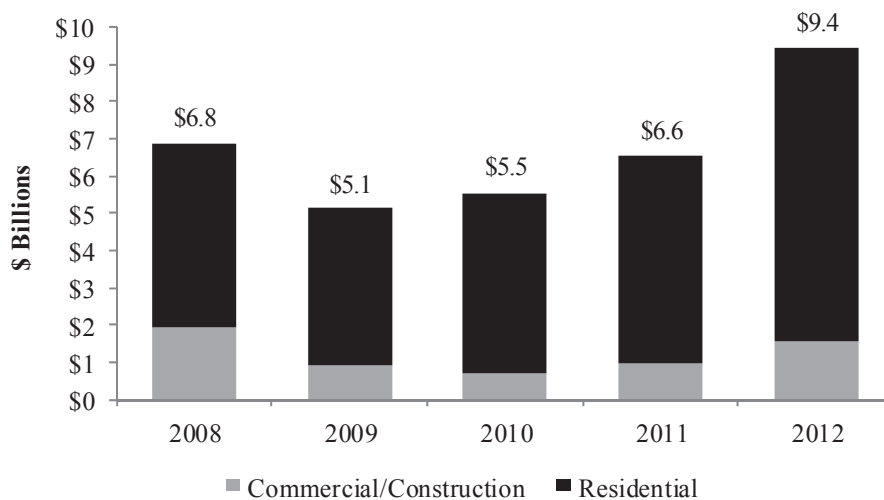
Experienced senior management team

MCAP's management team have on average more than 27 years of experience in the Canadian Mortgage lending industry and more than 18 years with MCAP. MCAP's comprehensive team of professionals is dedicated to building productive long term relationships with clients and have demonstrated this capability by establishing a strong reputation in the Canadian Mortgage lending market.

Deep and varied pipeline of Mortgage investment opportunities available to the Company

MCAP originates Mortgage loans across diversified market segments, including Single Family Residential Mortgages and Other Mortgages. In 2012, MCAP originated in excess of \$9.4 billion in Mortgage loans across all segments. MCAP has highly trained, in-house origination, structuring and underwriting teams located in offices in Vancouver, Calgary, Edmonton, Toronto, Montreal and Halifax. MCAP's Canadian geographic diversity ensures that it has an exceptional understanding of each key real estate market in Canada.

MCAP Mortgage Origination



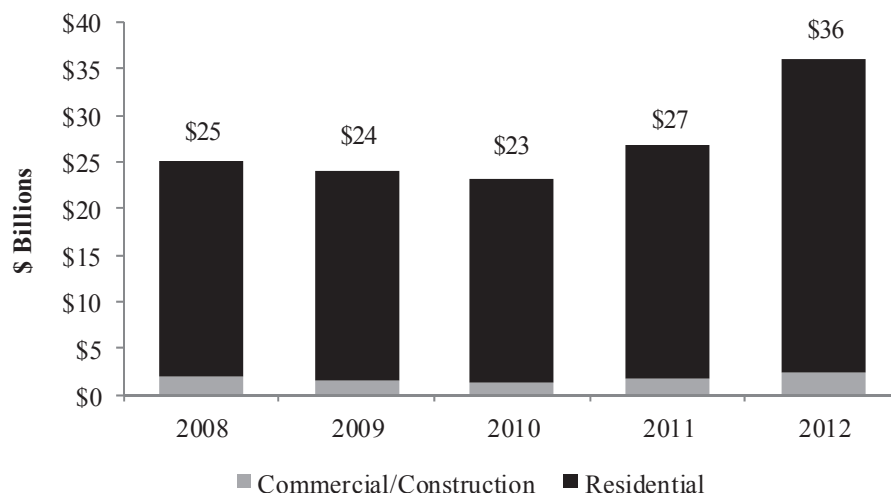
Source: MCAP

Established Mortgage servicing platform

In addition to its origination and underwriting capabilities, MCAP has industry leading Mortgage servicing operations and currently administers a Single Family Residential Mortgage and Other Mortgage portfolio with a principal balance of over \$36 billion and greater than 160,000 Mortgage loans on behalf of a wide range of financial institutions and institutional investors. In addition to servicing Mortgages originated internally, it also services

Mortgage portfolios on behalf of other third party Mortgage providers. MCAP's servicing platform was the first in Canada to be "rated" by a rating agency and has been consistently rated at "above average" by S&P since 2002. MCAP has five servicing offices located in Calgary, Edmonton, Regina, Kitchener and Montreal with its head office in Toronto. MCAP is able to scale its strong servicing platform, processes and call centres to effectively and efficiently manage all its clients' Mortgage related needs.

MCAP Mortgage Assets Under Administration



Source: MCAP

Established relationship with Mortgage brokers

The vast majority of MCAP's business is derived through a wide network of independent mortgage brokers across Canada. Prior to being permitted to conduct business with MCAP, all brokers must pass a rigorous evaluation process and must continue to meet performance standards on an on-going basis. As of November 30, 2012, MCAP had a network of over 3,500 brokers.

History of strong performance relating to loan losses

Dating back to 2002, MCAP has funded in excess of \$1.4 billion dollars of Non-Conforming Single Family Residential Mortgages (excluding Insured Single Family Mortgages), with cumulative loan losses over the same period of \$2.4 million which amounts to 0.17% per annum.

MCAP Loan Loss History for Non-Conforming Single Family Residential Mortgages (excluding Insured Single Family Mortgages)

<u>Year</u>	<u>Funded Amount</u>	<u>Write-offs by Vintage Year</u>	<u>Write-offs as a % of Funded Amount</u>
2002	\$40,634,938	\$51,306	0.13%
2003	\$71,213,511	\$30,311	0.04%
2004	\$106,703,620	\$58,545	0.05%
2005	\$167,237,424	\$61,675	0.04%
2006	\$253,477,520	\$395,168	0.16%
2007	\$211,382,861	\$1,586,448	0.75%
2008	\$12,328,469	\$15,003	0.12%
2009	\$9,786,647	\$42,847	0.44%
2010	\$135,638,929	\$60,324	0.04%

Year	Funded Amount	Write-offs by Vintage Year	Write-offs as a % of Funded Amount
2011	\$251,228,208	\$49,934	0.02%
2012	\$149,748,637	\$26	0.00%
Total	\$1,409,380,765	\$2,351,586	0.17%

Source: MCAP

Strong relationships with institutional investors including Schedule A Banks

MCAP has a long history with many institutional investors in Canada, including the Schedule A Banks. Until recently, MCAP's residential Mortgage origination and servicing operations were 40% owned by a Schedule A Bank. MCAP underwrites, originates and services Single Family Residential Mortgages and Other Mortgages for Schedule A Banks and a wide assortment of other banks, and institutional investors. These investors, who also often directly, for their own account, underwrite, originate and service Single Family Residential Mortgages and Other Mortgages, are in the position to continually evaluate MCAP's compliance with risk management and regulatory policies and procedures and MCAP's portfolio performance, including the evaluation of portfolio yields, delinquencies, defaults and losses. MCAP's relationships with these institutional investors have been core to MCAP's growth strategy and success. MCAP's relationships with its investors ensure that MCAP is able to consistently offer competitive Mortgage products to the market place due to the comfort afforded by the solid financial positions of its investors.

Sophisticated controls regarding governance and regulatory compliance

The vast majority of MCAP's investors are financial institutions subject to various Canadian regulatory requirements. Accordingly, MCAP's internal controls, operating processes, and reporting capabilities are regularly reviewed and audited by its investors. These audits confirm that MCAP's processes meet or exceed all requirements placed upon it by investors and upon its investors by their respective regulators. MCAP has rigorous processes in place to ensure that its controls meet applicable legal and regulatory rules, including Guideline B-20, Guideline B-8 (OSFI's Guideline on Detering and Detecting Money Laundering and Terrorist Financing), Guideline B-10 (OSFI's Guideline on Outsourcing of Business Activities, Functions and Processes), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and the regulations thereunder, cost of borrowing disclosure as required pursuant to the Regulations of the *Bank Act*, and the applicable provincial and federal legislation governing the use and privacy of personal information, including the *Personal Information Protection and Electronic Documents Act*. MCAP manages large pools of capital on behalf of FRFIs, which requires a high degree of formalization in structure and rigor and in the normal course of business MCAP is consistently under independent reviews and audits by third parties. As a direct result of the discipline resulting from this method of operation, MCAP has developed strong internal and external controls so as to ensure Mortgage loans underwritten and serviced by MCAP are managed in accordance with the documented policies and procedures that govern these asset classes. The existence of these sophisticated controls, policies and reporting capabilities ensures that MCAP can readily sell its products to virtually any Canadian securitization conduit, financial institution, or institutional investor in Canada.

Access to securitization conduits

MCAP has been approved by CMHC to have "CMB Issuer" status. This status enables MCAP to sell loans directly to CMHC for sale in its Canada Mortgage Bond Program. MCAP also has the ability to structure and sell certain Mortgage-Related Securities onto the market. Additionally, MCAP has also been approved to sell loans into various securitization conduits operated by the Schedule A Banks. These sources of liquidity ensure that MCAP is consistently in the market with highly competitive and desirable mortgage products. Furthermore, these vehicles may provide effective funding to finance the senior position in a Mortgage that is tranching (see "Investment Strategies – Mortgage Tranching").

Mortgage Consultant

Pursuant to the Mortgage Consulting Agreement among MCAP Financial LP as the Mortgage Consultant, the Company and the Manager, in its capacity as portfolio advisor and on behalf of the Company, the Mortgage Consultant will provide Mortgage consulting services required by the Manager in respect of the Manager's portfolio

advisory services for the Company. The principal office of the Mortgage Consultant is located at 200 King Street West, Toronto, ON, M5H 3T4.

Duties and Services to be Provided by the Mortgage Consultant

Pursuant to the Mortgage Consulting Agreement, the Mortgage Consultant will provide all Mortgage consulting services required by the Manager in respect of the Managers' portfolio advisory services provided to the Company. The duties and services of the Mortgage Consultant under the Mortgage Consulting Agreement, include but are not limited to: (i) consulting with the Manager in respect of Mortgages and the Mortgage-Related Securities market and in respect of Portfolio investments; and (ii) providing the Manager such other Mortgage consulting and related services as the Manager may require from time to time. None of the services set forth above are services which are required by applicable law to be provided by a person that is required to be licensed, registered, qualified or designated as an investment fund manager or portfolio advisor.

Details of the Mortgage Consulting Agreement

Under the Mortgage Consulting Agreement, the Mortgage Consultant will covenant to exercise its powers and discharge its duties under the Mortgage Consulting Agreement honestly, in good faith, and with the care, diligence and skill of a reasonably prudent person in similar circumstances. The Mortgage Consulting Agreement will provide that if the Mortgage Consultant has satisfied the duties and the standard of care, diligence and skill set forth above, it will be indemnified for all losses in relation to its services except those resulting from the Mortgage Consultant's willful misconduct, bad faith, gross negligence or material breach of its obligations under the Mortgage Consulting Agreement.

The Mortgage Consulting Agreement will remain in place until the termination of the Company, unless the Mortgage Consultant (i) resigns with not less than 120 days prior notice or (ii) is removed by the Manager as result of (a) the Mortgage Consultant becoming bankrupt or insolvent or making a general assignment for the benefit of its creditors, or (b) the Mortgage Consultant breaching a material obligation under the Mortgage Consulting Agreement which is incurable or which remains uncured after a reasonable cure period.

The services to be provided by the Mortgage Consultant under the Mortgage Consulting Agreement are not exclusive to the Company or the Manager and nothing in the Mortgage Consulting Agreement will prevent the Mortgage Consultant from providing similar Mortgage consulting services to other persons (whether or not their investment objectives and policies are similar to those of the Company) or from engaging in other activities.

The Mortgage Consultant is entitled to a fee for its services under the Mortgage Consulting Agreement as further described in "Fees and Expenses – Management Fees and Operating Expenses". The Mortgage Consultant will be reimbursed by the Manager out of the Management Fee for all out-of-pocket expenses incurred by the Mortgage Consultant in connection with the performance of its services under the Mortgage Consulting Agreement.

Mortgage Services Provider

Pursuant to the Mortgage Services Agreement among MCAP Service Corporation as the Mortgage Services Provider, the Manager and the Company, the Mortgage Services Provider will source and service the Mortgage Portfolio. The principal office of the Mortgage Services Provider is located at 200 King Street West, Toronto, ON, M5H 3T4.

Duties and Services to be Provided by the Mortgage Services Provider

Pursuant to the Mortgage Services Agreement, the Mortgage Services Provider will provide all Portfolio Mortgage sourcing and servicing services required by the Company and/or the Manager. The duties and services of the Mortgage Services Provider under the Mortgage Services Agreement, include but are not limited to: (i) seeking out and evaluating Mortgage investment opportunities for the Company and referring such Mortgage investment opportunities to the Company and the Manager; (ii) originating Mortgages that adhere to the Company's investment strategies and objectives subject to the Investment Restrictions; (iii) overseeing the servicing of the Portfolio Mortgages, which includes but is not limited to monitoring and ensuring the adequacy of the Portfolio Mortgages' performance by substantiating Mortgage and realty tax payments, collecting payments, confirming insurance coverage, reviewing financial and operating statements; (iv) providing those services as may be required to collect, handle, prosecute or settle any claims of the Company with respect to the Mortgage Portfolio, including default servicing; (v) obtaining appraisals as may be required, including title opinions or reports of counsel or others concerning zoning, environmental regulations and insurance coverage; (vi) assisting any valuation agent of the

Company or retained by the Manager in respect of the valuation of the Mortgage Portfolio; and (vii) such other sourcing and Mortgage servicing services as may be required by the Company or the Manager from time to time.

Details of the Mortgage Services Agreement

Under the Mortgage Services Agreement, the Mortgage Services Provider will covenant to exercise its powers and discharge its duties under the Mortgage Services Agreement honestly, and with the care, diligence and skill of a reasonably prudent person in similar circumstances. The Mortgage Services Agreement will provide that if the Mortgage Services Provider has satisfied the duties and the standard of care, diligence and skill set forth above, it will be indemnified for all losses in relation to its services except those resulting from the Mortgage Services Provider's willful misconduct, bad faith, gross negligence or material breach of its obligations under the Mortgage Services Agreement.

The Mortgage Services Agreement will remain in place until the termination of the Company, unless the Mortgage Services Provider (i) resigns upon not less than 120 days prior notice, or (ii) is removed by the board of directors of the Company as a result of (a) the Mortgage Service Provider becoming bankrupt or insolvent or making a general assignment for the benefit of its creditors, or (b) the Mortgage Service Provider breaching a material obligation under the Mortgage Services Agreement which is incurable or which remains uncured after a reasonable cure period.

The services provided by the Mortgage Services Provider are not exclusive to the Company or the Manager and nothing in the Mortgage Services Agreement will prevent the Mortgage Services Provider from providing similar Mortgage sourcing or servicing services to other persons (whether or not their investment objectives and policies are similar to those of the Company) or from engaging in other activities.

The Mortgage Services Provider is entitled to a fee for its services under the Mortgage Services Agreement as further described in "Fees and Expenses – Management Fees and Operating Expenses". The Mortgage Services Provider will be reimbursed by the Company out of the Company's property for all out-of-pocket expenses incurred by the Mortgage Services Provider in connection with the performance of its services under the Mortgage Services Agreement.

Biographies of Executive Officers of MCAP

The biographical information of the executive officers of MCAP who may perform services for and on behalf of the Mortgage Consultant and/or the Mortgage Services Provider is set forth below:

Derek Norton (President and CEO, MCAP): Mr. Norton has been one of the driving forces at MCAP and its predecessors and subsidiaries for 24 years. He heads the Executive Committees of MCAP and is the CEO of both of its major subsidiaries and is responsible for the overall strategic planning and operations. Prior to joining MCAP, he spent 11 years with other major institutional commercial lenders in Canada and Australia. He has owned and operated small and large Mortgage banking businesses in Canada and has been responsible for new loan production and managing all aspects of real estate finance. Mr. Norton's background includes expertise in Single Family Residential Mortgages, term commercial loans and commercial and residential construction financing. He has extensive knowledge of Canada's regulatory environment, having held – and continuing to hold – directorships for both public and private lending institutions. He received his Bachelor of Commerce degree from the University of British Columbia.

Mark Aldridge (Chief Financial Officer and EVP, MCAP): Mr. Aldridge joined MCAP in 2001. As MCAP's CFO, he is responsible for all aspects of the enterprise's financial affairs. Along with managing the day-to-day aspects of regulatory reporting and compliance, Mr. Aldridge advises the Executive Committee and the Board of Directors on strategic initiatives, acquisitions and distribution of assets. Mr. Aldridge graduated from McMaster University with a Bachelor, Commerce (Honours), chartered accountant and CPA. He worked at Ernst & Young for 8 years before joining MCAP.

Mark Yhap (Managing Partner, Commercial Mortgages, MCAP Financial Corporation): Mr. Yhap joined the MCAP team in 1989 and is responsible for the origination, underwriting, funding and sale of commercial term Mortgages across the country. He leads a team of 16 commercial business professionals as well as managing and developing investor relationships. His extensive experience in loan origination, underwriting, investor relations, structured finance and fund raising makes him an invaluable member of the MCAP Senior Management Team. Mr. Yhap earned his Bachelor of Business Administration from Wilfrid Laurier University and is a Chartered Financial Analyst.

Rick Gummer (Managing Partner, Single Family Servicing & Administration, MSC): Mr. Gummer's responsibilities include the end-to-end servicing of all MCAP Mortgages located in six regional centres across Canada. He leads strategic development initiatives, maintains vital industry relationships and performance standards and participates in all contract negotiations with MCAP's other investors and lenders. Mr. Gummer has worked in the financial services industry since 1976 in various positions with RBC, CIBC, Americredit, XCEED Mortgage Corporation and First Canadian Title. Mr. Gummer graduated from Queen's University with a B. Commerce (Honours) and has enhanced his professional education with courses at Sloan School of Management, Massachusetts Institute of Technology and Kennedy School of Government and Harvard School of Business, Harvard University. Mr. Gummer has been with MCAP for 6 years.

Paul Bruce (Managing Partner, Single Family Originations, MFC and MSC): Mr. Bruce joined MCAP in 1992 and is currently responsible for the strategic direction of MCAP's Single Family Residential Mortgage origination. During his 21 years with MCAP and predecessor companies, he has held various senior positions with responsibilities for Mortgage servicing, sub-servicing, credit adjudication, default management and mortgage investigations. Mr. Bruce has been an industry leader in Mortgage fraud investigations, established the Mortgage fraud unit at MCAP and is a former member of the CMHC mortgage fraud task force. Mr. Bruce attended Ryerson Polytechnic University and Wilfrid Laurier University in the Bachelor of Business Administration program.

Jeff Armstrong (Senior Vice President, Credit Risk & Asset Management, MFC and MSC): Mr. Armstrong has been a team leader at MCAP since 1994. He is currently responsible for overall credit risk and asset management for the conventional equity lending program line of business, portfolio acquisitions and investor relations. He developed and implemented MCAP's Underwriting Policies and Procedures, Credit Risk Assessment program and created the industry's first broker risk rating system. Mr. Armstrong has been a member of the Canadian Association of Accredited Mortgage Professionals (CAAMP), a member of the Credit Scoring and Risk Association (CSRSA), developed Genworth's Credit Assist product and has also been invited to be a speaker for the Law Society of Upper Canada. Mr. Armstrong has 27 years of experience in the industry and has been with MCAP for 23 years. Mr. Armstrong received a BA from the University of Western Ontario.

Brian Carey (Senior Vice President, Finance and Treasury, MCAP): Mr. Carey has been a member of the senior leadership team at MCAP for the past five years and was promoted to his current position in 2012. He has an extensive background in accounting, credit risk and financial business practices. Prior to MCAP, Mr. Carey was a Public Accountant in the banking industry and also led the Credit Risk Management Group at the Office of the Superintendent of Financial Institutions (OSFI). He received his BBA from Wilfrid Laurier University, his MBA at the Rotman School of Management, University of Toronto and has his CA designation from the Institute of Chartered Accountants of Ontario.

Ken Teskey (Chief Risk Officer & Corporate Secretary, MCAP): Mr. Teskey has been a part of the MCAP team for 24 years. As Chief Risk Officer (CRO), Mr. Teskey is responsible for determining and managing risks to the business and ensuring the Board, senior executive and staff are aware of their responsibilities in minimizing risk and ensuring compliance. As Corporate Secretary he is the key contact for the MCAP Board of Directors, keeping them up to date and informed of business activities and communicating Board decisions to all MCAP staff. Prior to joining the senior executive, Mr. Teskey ran the production loan origination program of MCAP's British Columbia construction business. He also practiced law at a prominent Vancouver firm which led him to be the original legal advisor for all MCAP business lines. Mr. Teskey received both his Bachelor of Commerce and LLB from the University of British Columbia.

Robert Balfour (Managing Partner, Development Finance Group, MFC): Mr. Balfour is the Managing Partner of MCAP DFG and has been with MCAP since 1994. He leads a team of 30 professionals who provide term and construction financing for commercial properties and residential developments. Mr. Balfour has been active in real estate finance in the Alberta market since 1975. Born, raised and educated in Calgary, his broad industry experience comes from time spent in the brokerage industry, with trust and life insurance companies. He is a licensed Mortgage and real estate broker with active community affiliations through Rotary and served as a Past President of the Alberta Mortgage & Loans Association. Mr. Balfour received his Bachelor of Commerce in Finance from the University of Calgary, Alberta.

Gordon Herridge (Senior Vice President, Corporate Services, MCAP): Mr. Herridge joined MCAP Leasing in 1991 as Vice President, Finance. He was then appointed CFO of MCAP Leasing in 1994, assuming overall responsibility for Finance, Accounting, IT and Operations. Mr. Herridge was appointed CFO for MCAP Service Corporation in 2002 and relinquished that position in 2006 when he returned full time to MCAP Leasing as

Executive Vice President and CFO, taking on responsibility for finance, accounting and credit. Upon the sale of the operations of MCAP Leasing to RBC in 2010, Mr. Herridge returned to MCAP head office where he assumed his current role as Senior Vice President, Corporate Services, responsible for IT, human resources and facilities. He is also involved in the management of the company's strategic plan, special projects and corporate initiatives. Mr. Herridge's past experience includes general audit, insolvency and litigation support at Clarkson Gordon (now Ernst & Young) and spent three years working as Controller for private commercial real estate developers and managers. He graduated from University of Waterloo in 1978 with a Bachelor of Arts in Economics and obtained his CA in 1980 while working for the Office of the Provincial Auditor for Ontario.

Don Ross (Senior Vice President, Investor Marketing, MCAP): Don is responsible for providing institutional investors with the opportunity to participate and invest in one or more of MCAP's chosen product lines through managed Mortgage funds, loan syndications or securitization structures. He is also responsible for providing investors with access to MCAP's other services including loan servicing and administration, asset management and property tax management. He has originated loans, been a member of MCAP's investment committee and has been instrumental in many corporate acquisitions throughout his tenure at MCAP. Don has more than 20 years of tenure with MCAP and more than 20 years of progressive experience in the real estate industry and has developed relationships with the majority of financial institutions in Canada. He has held senior positions in commercial asset management, loan servicing, investor relations, commercial lending, investment management, capital markets and structured finance. Don holds an Honours Bachelor of Business Administration degree from Wilfred Laurier University.

Conflict of Interest Matters

The board of directors of the Company, other than its independent members, will be employees of Brompton and/or its affiliates, and as such, will be subject to duties and obligations in their capacities as directors of the Company as set forth by securities laws, including disclosure requirements with respect to conflicts of interests due to their affiliation with Brompton and/or its affiliates.

The Manager

The services of the Manager are not exclusive to the Company. The Manager may in the future act as the manager and/or trustee of other funds which could be considered competitors of the Company. See "Organization and Management Details of the Company – Details of the Management Agreement".

The Manager will refer conflict of interest matters to the IRC for review or approval in accordance with its charter and NI 81-107. See "Organization and Management Details of the Company – Independent Review Committee".

MCAP

MCAP, the Mortgage Consultant and the Mortgage Services Provider are engaged in a wide range of Mortgage product origination, servicing, trading and/or other business activities. MCAP, the Mortgage Consultant and/or the Mortgage Services Provider provide Mortgage origination and/or servicing to other investors, including FRFIs. In addition, MCAP, the Mortgage Consultant and/or the Mortgage Services Provider invest on their own account for their own benefit. Accordingly, the services provided by the Mortgage Consultant pursuant to the Mortgage Consulting Agreement and the Mortgage Services Provider pursuant to the Mortgage Services Agreement are not exclusive, and neither the Mortgage Consulting Agreement nor the Mortgage Services Agreement restrict MCAP, the Mortgage Consultant or the Mortgage Services Provider, as applicable, from: (i) establishing additional Mortgage origination and servicing arrangements, or (ii) participating in additional investment funds, entering into other advisory relationships or engaging in other business activities. Such activities may be provided to competitors of the Company and/or involve substantial time and resources of MCAP, the Mortgage Consultant and/or the Mortgage Services Provider. MCAP, the Mortgage Consultant and/or the Mortgage Services Provider currently provide Mortgage origination and servicing to a number of different investors having more assets than the Company is expected to have and this will preclude MCAP, the Mortgage Consultant and/or the Mortgage Services Provider from devoting all of their time and effort to the business of the Company.

MCAP, the Mortgage Consultant and the Mortgage Services Provider may also manage, advise on or service Mortgages for institutional investors that may have investment objectives similar to those of the Company and may engage in transactions involving the same types of securities and instruments as offered to the Manager for

sale to the Company. Such transactions may be executed independently of those involving the Manager and the Company, and thus at prices or rates that may be more or less favourable than those obtained by the Company.

The Company will rely on the Mortgage Services Provider to originate Mortgages for potential sale to the Company and to service Portfolio Mortgages owned by the Company. The Mortgage Services Provider currently originates mortgage products for a substantial number of persons other than the Company. To the extent that Mortgage products originated by the Mortgage Services Provider are eligible as Mortgages and comply with the Investment Restrictions, the Mortgage Services Provider may also sell such Mortgages to the Company if approved by the Manager, as well as to such other persons. In offering Mortgages to the Company, the Mortgage Services Provider must adhere to the protocols and policies set out in the Mortgage Services Agreement in respect of all Mortgages offered. Such protocols and policies shall require MCAP to: (i) take into account the risk-return profile of the Mortgage products and the risk-return parameters, preferences and policy statements of the Company; and (ii) abide by applicable legal and regulatory rules, guidelines and advisory statements applicable to Mortgage products offered by the Mortgage Services Provider to the Company if approved by the Manager. While the Mortgage Services Provider's offerings of Mortgage products to the Company will be made independently of those offered to such other persons or selected for its own investments, the Mortgage Services Provider may offer an interest in the same Mortgage products to the Company as offered by the Mortgage Services Provider to such other persons as those selected for its own investment.

In addition, the directors and officers of MCAP, the Mortgage Consultant and/or the Mortgage Services Provider may have a conflict of interest in allocating their time between respective businesses and interests of the Mortgage Consultant and/or the Mortgage Services Provider and other businesses or projects in which they may become involved.

Where MCAP, the Mortgage Consultant and/or the Mortgage Services Provider, or the Manager reaches the conclusion, in the course of their businesses, that they are or may be in a material conflict of interest position, the matter will be referred to the Manager for it to refer it to the IRC. The members of the IRC will consider all matters referred to it and provide its recommendations to the Manager as soon as possible. Further, such conflicts of interest are subject to statutory trading prohibitions and restrictions, the recommendation or approval of the IRC, and internal policies and procedures of MCAP, the Mortgage Consultant and/or the Mortgage Services Provider, all of which are intended to preclude the conflicts of interest from operating, or being acted upon, to the detriment of the Company. For further details on this process see "Organization and Management Details of the Company – Independent Review Committee" above.

Custodian

Computershare Trust Company of Canada will be appointed the custodian of the Company's assets on or prior to Closing pursuant to the Custodian Agreement. The Custodian is, among other things, in the business of providing professional custodial services. The address of the Custodian is 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1. The Custodian may employ sub-custodians as considered appropriate in the circumstances. Pursuant to the terms of the Custodian Agreement, it is expected that the Custodian will agree to act as custodian of the assets of the Company. In consideration for the services provided by the Custodian, the Company will pay a monthly fee to be agreed upon between the Custodian and the Company.

Auditors

The auditors of the Company are Ernst & Young LLP. The address of the auditors is 222 Bay Street, PO Box 251, Toronto, Ontario, M5K 1J7.

Registrar and Transfer Agent

Pursuant to a registrar and transfer agency agreement to be entered into prior to Closing, ● will be appointed the registrar and transfer agent for the Class A Shares in the capital of the Company at its principal offices located in ●.

Promoter

MCAP Financial Corporation has taken the initiative in founding and organizing the Company and, accordingly, may be considered to be a "promoter" of the Company within the meaning of the securities legislation of certain provinces of Canada. MCAP will receive fees from the Company in connection with its role as Mortgage Services Provider and from the Manager in its role as the Mortgage Consultant and will be entitled to reimbursement

of expenses incurred as described under “Fees and Expenses”. MCAP Financial Corporation’s head office is located in Toronto, ON. For additional details concerning MCAP see “Organization and Management Details of the Company – MCAP”.

CALCULATION OF NET ASSET VALUE

Valuation Policies and Procedures of the Company

The NAV of the Company will be calculated by the Manager at the close of business on each Valuation Date, or on such other dates as may be required by applicable laws or determined by the Manager from time to time, subject to applicable exemptive relief being obtained, if required. The most recently calculated NAV will be available to the public upon request and will be posted at www.bromptongroup.com for this purpose. The NAV of the Company is the value of the assets of the Company (the “**Total Assets**”) less the liabilities of the Company.

In calculating the NAV:

- (a) the recorded value of any cash on hand, on deposit or on call, and prepaid expenses will be the cost amount thereof unless the Manager, or its delegate, deems otherwise;
- (b) Mortgages will be stated at fair value, determined by using the effective interest rate method based on a discounted cash flow analysis of the future expected cash flows from the period end to the maturity of the Mortgage. The discount rate used to discount the future expected cash flows of each Mortgage is the aggregate rate produced by taking an appropriate Bank of Canada treasury bond rate at the period end and applying an appropriate credit spread. Interest income is recorded on the accrual basis provided that the Mortgage loan is not impaired. An impaired Mortgage loan is any loan where, in MCAP’s opinion, there has been a deterioration of credit quality to the extent that the Company no longer has a reasonable assurance as to the timely collection of the full amount of principal and interest. As the Mortgages comprising the Mortgage Portfolio do not trade in actively quoted markets, the Manager will estimate fair value based upon: (i) market interest rates; and (ii) credit spreads for similar loans. The Manager will consider, but not be limited in considering, the following when determining the appropriate credit spread: (i) payment history; (ii) value of underlying property securing the loan or Mortgage; (iii) overall economic conditions; (iv) status of construction or property development (if applicable); and (v) other conditions specific to the Mortgage;
- (c) the value of short-term investments (treasury bills, money market instruments, or similar) will be the cost of such instrument plus accrued interest up to and including the date of calculation;
- (d) the value of any other property will be the value determined by the Manager, or its delegate, which most accurately reflects its fair value; and
- (e) all expenses or liabilities will be recorded on an accrual basis.

The Canadian Institute of Chartered Accountants released Accounting Guideline 18, Investment Companies, which requires that investments held by the Company be measured and reported in the financial statements at their fair values. Investments in Mortgages are recorded at fair value and any differences between the fair value and the carrying value of individual investments in Mortgages will be recorded as investment gains or losses, as appropriate, in the statement of operations in the period the difference arises. The accounting standard requires the disclosure of unrealized gains and losses. Significant unrealized losses may be indicative of a higher risk of loss in the Mortgage Portfolio.

If an investment cannot be valued under the above guidelines, or if the Manager determines that the above guidelines are at any time inappropriate under the circumstances, then notwithstanding such guidelines, the Manager will make such valuation as it considers fair and reasonable and, if there is an appropriate industry practice, in a manner consistent with such industry practice for valuing such investment.

The directors of the Company, together with the Manager, will review and, if required from time to time, consider the appropriateness of the valuation guidelines adopted by the Company. As such, at the discretion of the directors of the Company, the valuation guidelines may be modified, acting reasonably, in good faith and in the best interests of the Class A Shareholders in accordance with current Canadian generally accepted accounting principles. Any material modification of the valuation guidelines will be disclosed, by press release or other timely disclosure document issued by the Company.

Net Asset Value per Share

The net asset value per Share (the “NAV per Share”) will be the quotient obtained by dividing the NAV of the Company on given day by the total number of outstanding Shares (immediately before any subscriptions for or redemptions of Shares) at the close of business on such day.

For information concerning the redemption of Class A Shares, see “Redemption of Class A Shares” and “Risk Factors – Redemption Risks”.

Reporting of Net Asset Value per Share

NAV per Share will be calculated by the Manager on each Valuation Date. The most recently calculated NAV per Share will be available to the public upon request at no cost and will be posted at www.bromptongroup.com. The Company will also make the NAV per Share available to the financial press for publication on a weekly basis.

ATTRIBUTES OF THE SHARES

Description of the Shares

The Company is authorized to issue an unlimited number of Class A Shares and 100 Voting Shares, a summary of the terms and conditions of which, as they will exist upon closing of the Offering, is set forth below. Before giving effect to the Offering, there are issued and outstanding ● Voting Shares. Class A Shares will be issued under the Offering and may be issued under other offerings that may be completed in the future. Subject to the foregoing, following completion of the Offering, the Company may allot and issue Shares or shares of another class or classes at such time or times and in such manner as the Manager may in its sole discretion determine.

Voting Shares

The Voting Shares are owned by ● as to ●% each. Accordingly, the holders of all of the issued and outstanding Voting Shares, will have the power to vote on all matters to be considered by the holders of Voting Shares. See “Principal Holders of Voting Shares”.

The holders of Voting Shares are not entitled to receive dividends. The holders of the Voting Shares will be entitled to one vote per share. The Voting Shares can be redeemed or repurchased for cancellation by the Company for an amount, for each Voting Share, equal to the NAV per Share, subject to certain limitations, including the condition that such redemption or repurchase for cancellation would not cause the Company to cease to be a MIC. Upon the dissolution, liquidation or winding up of the Company, after satisfaction of all liabilities of the Company (or the establishment of reserves or other provision therefor) holders of Voting Shares will be entitled to receive, from the assets of the Company, for each Voting Share, an amount, in cash or property, equal to NAV per Share. See “Calculation of Net Asset Value”.

Certain Provisions of the Class A Shares

General Rights and Privileges

The holders of Class A Shares are entitled to receive dividends as and when declared by the board of directors of the Company on the Class A Shares. The holders of Class A Shares are not entitled to vote at meetings of the shareholders of the Company, other than as required by law or as set forth under “Shareholder Matters – Meetings of Class A Shareholders”.

The Class A Shares of the Company are redeemable as further described under “Redemption of Class A Shares”.

Upon the dissolution, liquidation or winding up of the Company, after satisfaction of all liabilities of the Company (or the establishment of reserves or other provision therefor) holders of Class A Shares will be entitled to receive, from the assets of the Company, for each Class A Share, an amount, in cash or property, equal to the NAV per Share. See “Calculation of Net Asset Value”.

Restrictions on Ownership

No shareholder of the Company is permitted, together with Related Persons, at any time to hold more than 25% of any class of the issued shares.

In the event that (i) the exercise by any Class A Shareholder of a redemption right associated with the Class A Shares, or (ii) as determined by the board of directors of the Company in its sole discretion, any other transaction affecting any Class A Shares (each a “**Triggering Transaction**”), if completed, would cause any holder(s) of such Class A Shares (each an “**Automatic Repurchase Shareholder**”), together with Related Persons, to hold more than 25% of the Class A Shares, that portion of such Class A Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued Class A Shares (the “**Repurchased Shares**”) will, simultaneously with the completion of a Triggering Transaction, automatically be deemed to have been repurchased by the Company (an “**Automatic Repurchase**”) without any further action by the Company or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to 100% of the NAV per Share in effect on the date of the Triggering Transaction, less any costs associated with such purchase. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder within 60 days following the date of the Triggering Transaction.

Purchase for Cancellation

Subject to applicable law, the Company may at any time or from time to time purchase Class A Shares for cancellation at a price per share not exceeding the NAV per Share most recently calculated immediately prior to such purchase.

Amendments

Amendments to the terms of the Class A Shares or Voting Shares must be approved by the applicable shareholders of the Company in accordance with applicable laws and as set forth under “Shareholder Matters – Matters Requiring Class A Shareholder Approval”.

Book-Based System

Registrations of interests in and transfers of Class A Shares will be made only through the book-based system administered by CDS.

Class A Shares must be purchased, transferred and surrendered for redemption through a CDS Participant. All rights of Class A Shareholders must be exercised through, and all payments or other property to which such Class A Shareholders are entitled will be made or delivered by, CDS or the CDS Participant through which the Class A Shareholder holds such Class A Shares. A purchaser of Class A Shares will receive a customer confirmation from the registered dealer from or through which the Class A Shares are purchased and will not have the right to receive physical certificates evidencing their ownership in the Class A Shares. References in this prospectus to a Class A Shareholder mean, unless the context otherwise requires, an owner of the beneficial interest in Class A Shares.

The ability of a beneficial owner of Class A Shares to pledge such Shares or otherwise take action with respect to such Class A Shareholder’s interest in such Class A Shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Company has the option to terminate registration of the Class A Shares through the book-based system administered by CDS, in which case certificates for the Class A Shares in fully registered form would be issued to beneficial owners of such Class A Shares or their nominees.

SHAREHOLDER MATTERS

Meetings of Class A Shareholders

Except as required by law or set out below, Class A Shareholders will not be entitled to receive notice of, to attend or to vote at any meeting of shareholders of the Company.

Matters Requiring Class A Shareholder Approval

Unless otherwise required by law, the following acts require the approval of Class A Shareholders at a meeting called and held for such purpose. Each Class A Share will have one vote at such a meeting. Items (1) through (6) require approval by resolution passed by at least 66^{2/3}% of the votes cast by Class A Shareholders voting thereon (an “**Extraordinary Resolution**”). Items (7) and (8) will require approval by resolution passed by at least a simple majority of votes cast by Class A Shareholders (an “**Ordinary Resolution**”), unless a greater majority is required by law:

1. a change to the investment objectives or investment restrictions of the Company, unless such changes are necessary to maintain the Company's status as a MIC or otherwise to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time, including the Proposed Amendments;
2. change in the Manager, other than in connection with (i) the replacement of the Manager with an affiliate of MCAP, (ii) following the Manager's resignation pursuant to the terms and conditions of the Management Agreement, or (iii) the termination of the Management Agreement and replacement of the Manager effective immediately upon an Event of Default (as defined in the Management Agreement);
3. any increase in (i) the basis of calculating the Management Fee paid to the Manager or the Mortgage Service Fee paid to the Mortgage Services Provider, or (ii) the rate per annum of the Management Fee or Mortgage Service Fee;
4. the sale of all or substantially all of the assets of the Company other than in the ordinary course of its activities;
5. any amendment, modification or variation in the provisions or rights attaching to the Class A Shares or Voting Shares;
6. any issuance of Class A Shares when the net proceeds per Class A Share are less than the most recently calculated NAV per Share prior to the date of setting the subscription price for such issuance. For greater certainty, if such NAV per Share is calculated prior to a record date for a distribution in respect of shares of such class being issued, the most recently calculated NAV per Share for purposes of determining the subscription price will be adjusted to account for any distribution which has been declared payable in respect of such shares and which will not be received by the subscribers;
7. a reorganization with, or transfer of assets to, another entity, if:
 - (i) the Company ceases to continue after the reorganization or transfer of assets; and
 - (ii) the transaction results in Class A Shareholders becoming securityholders in the other entity; and
8. a reorganization with, or acquisition of assets of, another entity, if:
 - (i) the Company continues after the reorganization or acquisition of assets; and
 - (ii) the transaction results in the securityholders of the other entity holding a majority of the outstanding securities of the Company.

In addition, any change to any of the foregoing matters requiring shareholder approval shall require the same approval required to approve such matter.

At a meeting of shareholders of the Company, a quorum will constitute two or more Shareholders present in person or represented by proxy at the meeting, holding not less than 10% of the outstanding shares in the capital of the Company, except for the purpose of any meeting called to consider any matter requiring approval by an Extraordinary Resolution of Class A Shareholders, in which case quorum will constitute two or more Shareholders present in person or represented by proxy at the meeting, holding not less than 15% of the outstanding shares in the capital of the Company. If no quorum is present at such meeting within 30 minutes of the time called for such meeting, then (i) if called on the requisition of a Class A Shareholder the meeting will be terminated and (ii) otherwise will be adjourned to such day no more than 14 days later and to such time and place as appointed by the Chairman of the meeting (and for greater certainty, may be at a later time on the date of the originally scheduled meeting); provided that if such day is not a Business Day, the meeting shall be held on the next Business Day. At the re-convened meeting, the Class A Shareholders then present in person or represented by proxy will form the necessary quorum.

Reporting to Class A Shareholders

The Company will make available to Class A Shareholders such financial statements and other continuous disclosure documents as are required by applicable law, including unaudited interim and audited annual financial statements that will include the accounts of the Company and a statement of investments. The Company shall make available to each Class A Shareholder annually, within the time periods prescribed by law, information necessary to

enable such Class A Shareholder to complete an income tax return with respect to the amounts payable by the Company.

TERMINATION OF THE COMPANY

The Company does not have a fixed termination date but may be terminated at any time with the approval of Class A shareholders by an Extraordinary Resolution, passed at a duly convened meeting of Class A shareholders called for the purpose of considering such Extraordinary Resolution. Additionally, the articles of incorporation of the Company provide the Company’s Board of Directors with the discretion to redeem all of the outstanding Shares if, in the Manager’s opinion (in consultation with MCAP), it is no longer economically practical to continue the Company or it would be in the best interests of the Class A Shareholders to terminate the Company. The Company will also be terminated in the event of the resignation of the Manager if a replacement Manager has not been appointed within 120 days of the date of resignation. Such termination shall occur on the date which is 60 days following the last day of the aforementioned 120-day period.

Prior to termination, the Mortgage Portfolio will be converted to cash to the extent practicable and the Manager will satisfy or make appropriate provision for all liabilities of the Company. The Manager may, in its discretion and upon not less than 30 days’ notice to the Class A Shareholders, extend any termination date by a period of up to 180 days if the Mortgage Portfolio will be unable to be converted to cash prior to such termination date and the Manager determines that it would be in the best interests of the Shareholders to do so. The Company will distribute to Shareholders their pro rata portions of the remaining assets of the Company which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to the termination date, unliquidated assets in specie, subject to compliance with any securities or other laws applicable to such distributions. See “Risk Factors”. Following such distribution, the Company will be dissolved.

USE OF PROCEEDS

The Company expects the net proceeds of the Offering to be as follows:

	Minimum Offering⁽¹⁾	Maximum Offering^{(1) (2)}
Gross proceeds to the Company	\$•	\$100,000,000
Agents’ fees	\$•	\$5,250,000
Estimated Expenses of the Offering ⁽³⁾	\$•	\$•
Net proceeds to the Company	\$•	\$•

(1) There will be no closing unless a minimum of • Class A Shares are sold. The Maximum Offering assumes 10,000,000 Class A Shares are sold. If subscriptions for a minimum of • Class A Shares have not been received within 90 days following the date of issuance of a receipt for this prospectus, this Offering may not continue without the consent of the securities authorities and those who have subscribed on or before such date.

(2) The Company has granted to the Agents an Over-Allotment Option, exercisable in whole or in part for a period of 30 days following the Closing, to purchase an aggregate of up to 15% of the aggregate number of Class A Shares issued at the Closing at a price of \$10.00 per Class A Share. This prospectus qualifies the distribution of the Over-Allotment Option and the Class A Shares issuable on the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total price to the public under the Maximum Offering will be \$115,000,000, the Agents’ fees will be \$6,037,500, and the net proceeds to the Company, before deductions for expenses of the Offering other than the Agents’ fees, will be \$108,962,500. Any investors who acquire Class A Shares forming part of the Agents’ over-allocation position will acquire those Class A Shares under this prospectus regardless of whether the over-allocation is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases. See “Plan of Distribution”.

(3) Subject to a maximum of 15% of the gross proceeds of the Offering.

The Company will use substantially all of the net proceeds of the Offering to fund investments in Mortgages in a manner consistent with the investment objectives, strategies and restrictions of the Company, with the balance of the net proceeds being used by the Company for general working capital expenditures. Based on advice from MCAP, the Manager expects that the net proceeds will be fully invested within three months following completion of the Offering.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to conditionally offer the Class A Shares, subject to prior sale, as agents of the Company, on a reasonable “best efforts” basis, if, as and when issued by the Company and accepted by the Agents. The Offering is expected to close on or about ●, 2013, or such later date as the Company and the Agents may agree, but in any event not later than ●, 2013. Assuming completion of the Offering, the Agents will receive a fee equal to \$0.525 for each Class A Share sold, payable by the Company and will be reimbursed for out-of-pocket expenses incurred by it. The Agents may form a sub-agent group including other qualified investment dealers and exempt market dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use its reasonable “best efforts” to sell the Class A Shares offered hereby, the Agents will not be obligated to purchase Class A Shares which are not sold. The offering price for the Class A Shares is fixed at \$10.00 and, together with the aggregate number of Class A Shares offered under the Offering, was determined by negotiation between the Company and the Agents.

The Company has granted the Agents an over-allotment option, exercisable for a period of 30 days from the closing of the Offering, to purchase additional Class A Shares representing up to 15% of the aggregate number of Class A Shares sold under the Offering, on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes. This prospectus qualifies the distribution of the Over-Allotment Option and the Class A Shares issuable on the exercise of the Over-Allotment Option. The Agents may exercise the Over-Allotment Option, in whole or in part, at any time on or before the close of business on the 30th day following the Closing Date. To the extent that the Over-Allotment Option is exercised, the additional Class A Shares issued, as applicable, will be offered at \$10.00 per Class A Share and the Agents will be entitled to a fee of \$0.525 per Class A Share sold. Any investors who acquire Class A Shares forming part of the Agents’ over-allocation position will acquire those Class A Shares under this prospectus regardless of whether the over-allocation is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases.

Under the terms of the Agency Agreement, the Agents may, at its discretion on the basis of its assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. The Agency Agreement further provides that the Agents will hold in trust all funds received from subscriptions. In the event the necessary consents are not obtained by the Company or if the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Class A Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice.

If subscriptions for a minimum of ● Class A Shares have not been received within 90 days following the date of issuance of a final receipt for the prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed on or before such date. Under the terms of the Agency Agreement, the Agents may, at its discretion on the basis of its assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Proceeds from subscriptions will be held by the Agents until Closing. If the minimum Offering is not achieved and the necessary consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers will be held in trust by the Agents and will be returned to such purchasers promptly without interest or deduction. Subscriptions for Class A Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing is expected to take place on or about ●, 2013, or such later date as the Company and the Agents may agree, but in any event not later than ●, 2013.

Pursuant to policy statements of certain securities regulatory authorities, the Agents may not, throughout the period of distribution, bid for or purchase Class A Shares. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Class A Shares. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this Offering, the Agents may over-allot or effect transactions in connection with its over-allotment position. Such transactions, if commenced, may be discontinued at any time.

Class A Shares have not been nor will they be registered under the U.S. Securities Act or the securities laws of any state in the United States and, subject to certain exemptions, may not be offered or sold or otherwise transferred or disposed of in the United States.

PRINCIPAL HOLDERS OF VOTING SHARES

• (the “**Voting Shareholders**”) each owns beneficially and of record •% of the issued and outstanding Voting Shares of the Company.

The Company and the Voting Shareholders will be a party to an agreement (the “**Voting Shareholder Agreement**”) pursuant to which, among other matters, each Voting Shareholder will be restricted from transferring the Voting Shares he or she holds except if such Voting Shareholder commits or suffers an Event of Default (as defined in the Voting Shareholder Agreement), in which case such Voting Shareholder (the “**Defaulting Voting Shareholder**”) will be obligated to transfer his or her Voting Shares, and to grant a proxy to vote such Voting Shares, to an individual (the “**Permitted Transferee**”) that meets certain conditions set out in the Voting Shareholder Agreement and that is designated by the majority of the other Voting Shareholders (the “**Non-Defaulting Voting Shareholders**”), provided that such transfer would not cause the Company to cease to be a MIC (the “**MIC Condition**”). If the Voting Shares held by the Defaulting Voting Shareholder cannot be transferred to the Permitted Transferee in a timely manner for any reason, including for non-compliance with the MIC Condition, the Company will be obligated to redeem or repurchase for cancellation the Defaulting Voting Shareholder’s Voting Shares and to issue Voting Shares in number equal to those redeemed to an individual that meets certain conditions set out in the Voting Shareholder Agreement and that is designated by the majority of the Non-Defaulting Voting Shareholders. In addition, the Voting Shareholder Agreement will, among other matters, restrict the Company from issuing any Voting Shares without the prior consent of a majority of the Voting Shareholders, except in connection with the redemption of the Voting Shares held by the Defaulting Voting Shareholder.

Following the Closing, the Company intends to enter into a credit facility with a lender which is an affiliate of the Agents. Accordingly, the Company may be considered to be a “connected issuer” of the Agents. See “Investment Strategies – Leverage”.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager will receive the fees described under “Fees and Expenses” for its services to the Company and will be reimbursed by the Company for certain expenses incurred in connection with the provision of these services and may invest in Mortgage loans in respect of property that the Manager or any of its affiliates has an interest in. The Manager or any of its affiliates may earn fees from providing investment advisory services to funds invested in such properties. The Mortgage Consultant will receive part of the Management Fees described under “Fees and Expenses” for its services under the Mortgage Consulting Agreement. Additionally, the Mortgage Services Provider will receive from the Company a fee described under “Fees and Expenses” for its services under the Mortgage Services Agreement. See “Fees and Expenses” and “Risk Factors – Conflicts of Interest”. Moreover, the Company’s activities may from time to time be restricted due to regulatory restrictions applicable to the Manager and/or its internal policies designed to comply with such restrictions. As a result, there may be periods, for example, during which the Manager or the Company may be restricted from engaging in certain transactions.

MATERIAL CONTRACTS

Contracts material to investors in the Class A Shares offered by this prospectus that have been or that will have been entered into by the Company on or prior to the Closing Date of the Offering are the:

- (a) Management Agreement described under “Organization and Management Details of the Company – Manager”;
- (b) Mortgage Consulting Agreement described under “Organization and Management Details of the Company – Mortgage Consultant”;
- (c) Mortgage Services Agreement described under “Organization and Management Details of the Company – Mortgage Services Provider”;
- (d) Agency Agreement described under “Plan of Distribution”;

- (e) Custodian Agreement described under “Organization and Management Details of the Company – Custodian”; and
- (f) Voting Shareholder Agreement described under “Principal Holders of Voting Shares”.

Copies of the foregoing agreements, after the execution thereof as applicable, may be inspected during business hours at the principal office of the Company during the course of distribution of the Class A Shares offered hereby.

EXPERTS

The matters referred to under “Canadian Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon Blake, Cassels & Graydon LLP on behalf of the Company and Stikeman Elliott LLP on behalf of the Agents.

The auditor of the Company is Ernst & Young LLP, Chartered Accountants. The Auditors have advised the board of directors of the Company that they are independent of the Company in accordance with the rules of professional conduct in the Province of Ontario.

PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the same time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal advisor.

INDEPENDENT AUDITORS' REPORT

To the Directors of
Eclipse Residential Mortgage Investment Corporation

We have audited the accompanying financial statement of Eclipse Residential Mortgage Investment Corporation, which comprise the statement of financial position as at • and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures elected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of Eclipse Residential Mortgage Investment Corporation as at • in accordance with Canadian generally accepted accounting principles.

[LOCATION]

[DATE]

•
[Chartered Accountants,
Licensed Public Accountants]

ECLIPSE RESIDENTIAL MORTGAGE INVESTMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

As at ●

Assets

Cash \$●

Net Assets, Representing Shareholder's Equity

Issued:

Voting Shares \$●

Authorized:

Class A Shares (Note 1)

Approved by the Board of Directors

By: ●
Director

By: ●
Director

ECLIPSE RESIDENTIAL MORTGAGE INVESTMENT CORPORATION
NOTES TO STATEMENT OF FINANCIAL POSITION

•

1. FORMATION OF THE COMPANY

Eclipse Residential Mortgage Investment Corporation (the “Company”) was incorporated under the *Business Corporations Act* (Ontario) on April 3, 2013. The Company is authorized to issue an unlimited number of Class A shares (“Class A Shares”) and 100 voting shares (“Voting Shares”), of which no Class A Shares and • Voting Shares are outstanding.

2. AGENCY AND CUSTODIAN AGREEMENTS

The Company has engaged RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Capital Markets Inc., National Bank Financial Inc., Scotia Capital Inc., Raymond James Ltd., Canaccord Genuity Corp., GMP Securities L.P., Macquarie Private Wealth Inc., Manulife Securities Incorporated, Desjardins Securities Inc. and Mackie Research Capital Corporation to offer for sale to the public pursuant to a prospectus dated • the Class A Shares referred to in Note 1.

The Company will retain • (the “Custodian”) under a custodian agreement to act as custodian of the assets of the Company. In consideration for the services provided by the Custodian, the Company will pay the Custodian a monthly fee as set out in the custodian agreement.

3. MANAGEMENT FEES AND OTHER EXPENSES

The Company has retained Brompton Funds Limited (the “Manager”) under a management agreement dated as of • to act as the manager and portfolio advisor of the Company. Pursuant to such agreement, the Manager is entitled to receive from the Company an annual management fee of 0.75% of the Company’s net asset value, calculated weekly and paid monthly, together with an amount equal to the Service Fee, in each case plus applicable taxes.

The Company will pay for all expenses incurred in connection with its operation and administration. The Company also will be responsible for commissions and other costs of portfolio transactions, and all liabilities and any extraordinary expenses which it may incur from time to time.

CERTIFICATE OF ECLIPSE RESIDENTIAL MORTGAGE INVESTMENT CORPORATION

Dated: May 9, 2013

This prospectus and amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and amended and restated prospectus as required by the securities legislation of the provinces and territories of Canada.

(signed) Mark A. Caranci
Chief Executive Officer

(signed) Craig T. Kikuchi
Chief Financial Officer

On behalf of the Directors

(signed) Peter A. Braaten
Director

(signed) Raymond R. Pether
Director

**CERTIFICATE OF MCAP FINANCIAL CORPORATION
(AS PROMOTER OF ECLIPSE RESIDENTIAL MORTGAGE INVESTMENT CORPORATION)**

Dated: May 9, 2013

This prospectus and amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and amended and restated prospectus as required by the securities legislation of the provinces and territories of Canada.

(signed) Derek Norton
Chief Executive Officer of
MCAP Financial Corporation

(signed) Mark Aldridge
Chief Financial Officer of
MCAP Financial Corporation

On behalf of the Directors of
MCAP Financial Corporation

(signed) Derek Norton
Director

(signed) Mark Aldridge
Director

(signed) Gordon Herridge
Director

**CERTIFICATE OF BROMPTON FUNDS LIMITED
(AS MANAGER OF ECLIPSE RESIDENTIAL MORTGAGE INVESTMENT CORPORATION)**

Dated: May 9, 2013

This prospectus and amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and amended and restated prospectus as required by the securities legislation of the provinces and territories of Canada.

(signed) Mark A. Caranci
Chief Executive Officer of
Brompton Funds Limited

(signed) Craig T. Kikuchi
Chief Financial Officer of
Brompton Funds Limited

On behalf of the Directors of
Brompton Funds Limited

(signed) Peter A. Braaten
Director

(signed) Raymond R. Pether
Director

CERTIFICATE OF THE AGENTS

Dated: May 9, 2013

To the best of our knowledge, information and belief, this prospectus and amended and restated prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and amended and restated prospectus as required by the securities legislation of the provinces and territories of Canada.

RBC DOMINION SECURITIES INC

(signed) Edward V. Jackson

CIBC WORLD MARKETS INC.

(signed) Michael D. Shuh

TD SECURITIES INC.

(signed) Cameron Goodnough

BMO CAPITAL MARKETS INC.

(signed) Robin G. Tessier

**NATIONAL BANK FINANCIAL
INC.**

(signed) Timothy Evans

SCOTIA CAPITAL INC.

(signed) Bryce Stewart

RAYMOND JAMES LTD.

(signed) J. Graham Fell

**CANACCORD GENUITY
CORP.**

(signed) Ron Sedran

GMP SECURITIES L.P.

(signed) Neil Selfe

**MACQUARIE PRIVATE
WEALTH INC.**

(signed) Brent Larkan

**MANULIFE SECURITIES
INCORPORATED**

(signed) William Porter

DESJARDINS SECURITIES INC.

(signed) Beth A. Shaw

MACKIE RESEARCH CAPITAL CORPORATION

(signed) David Keating

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BROMPTON
FUNDS