

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of securities only in those jurisdictions where they may lawfully be offered for sale and therein only by persons permitted to sell such securities.

CONTINUOUS OFFERING

August 14, 2009

**PROSPECTUS
OF
FRONTENAC MORTGAGE INVESTMENT CORPORATION**

Qualifying for Distribution
an Unlimited Number of Common Shares

Price: Book Value per Share

This investment fund is a non-redeemable investment fund. The Common Shares are redeemable only once per year, on November 30, or otherwise under certain limited circumstances (see “Redemption of Securities”).

The Corporation's objective is to generate income while preserving capital for re-investment. As a mortgage investment corporation, the Corporation expects to derive its earnings principally from the receipt of interest payments on mortgages and subsidiarily from interest distributions on the cash reserves of the Corporation. The Corporation will achieve its investment objective by lending on the security of mortgages on real property located in the provinces of Ontario and Quebec. The mortgages transacted by the Corporation will generally not meet the underwriting criteria of conventional lenders and/or will involve borrowers in rural areas generally not well serviced by major lenders. As a result of the Fund’s investment in non-prime mortgages, the Fund expects to earn a higher rate of interest than what can generally be obtained through more conventional mortgage lending activities (see “Investment Objective” and “Investment Strategy”).

The Fund’s manager and portfolio advisor is W.A. Robinson & Associates Ltd. W.A. Robinson & Associates Ltd. will manage the overall business and operations of the Corporation and provide investment advice and portfolio management services in respect of the Corporation’s investment portfolio (see “Organization and Management Details of the Investment Fund – Manager of the Fund” and “Organization and Management Details of the Investment Fund - Portfolio Advisor”).

The Fund has an exclusive agreement with Pillar Financial Services Inc. for the sourcing and administration of mortgages. Pillar Financial Services Inc. is also responsible for the underwriting and approval of prospective mortgage applications, collection of payments and, where necessary, commencing enforcement proceedings against delinquent mortgagors (see “Organization and

Management Details of the Investment Fund – Administration of Mortgages” and “Material Contracts”).

An investment in Common Shares will be subject to certain risks that should be carefully considered by a prospective purchaser. These risks include the higher risk associated with the Fund’s non-conventional rather than conventional mortgage lending activities, the inability of borrowers to make mortgage payments, the relative ranking of mortgages held by the Fund, changes in the value of the mortgaged property, the inability of the Manager to find mortgage investments, the fact that the targeted dividend payments are not guaranteed, potential environmental liabilities, the fact that an investment in the Common Shares is not insured, the illiquid nature of mortgages, the fact that shareholders’ ability to redeem Common Shares at their option is limited, the Fund’s reliance on third parties, unexpected changes in legislation, the absence of governmental and other guarantees, potential conflicts of interest and income tax liabilities. For further information, see “Risk Factors.”

No underwriter has been involved in the preparation of this prospectus or performed any review or independent due diligence of the contents of the prospectus.

Additional information about the Fund is available in the following documents:

- the most recently filed annual financial statements;
- any interim financial statements filed after those annual financial statements;
- the most recently filed annual management report of fund performance; and
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this prospectus which means that they legally form part of this prospectus. Please see the “Documents Incorporated by Reference” section for further details.

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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 or incorporated by reference in this prospectus.

General

The Fund is incorporated pursuant to the *Business Corporations Act* (Canada). The Corporation's head and registered office is located at The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0. The Corporation is a “mortgage investment corporation” as defined under the *Income Tax Act* (Canada). As such, its business consists in the lending of money, principally to individuals, for the purposes of acquiring, developing, maintaining or upgrading residential real estate and other real property, against the security of a mortgage granted on such property. For further information, see “Overview of the Legal Structure of the Fund” and “Investment Strategy – Overview of the Investment Structure”.

This prospectus qualifies for distribution common shares of the Corporation (“**Common Shares**”) including those which are issued pursuant to the Fund’s automatic dividend reinvestment plan. For further information, see “Attributes of the Common Shares - Description of the Securities Distributed” and “Plan of Distribution”.

The Fund's objective is to generate income while preserving for its shareholders capital for re-investment. The Fund makes loans which do not generally meet the underwriting criteria of conventional lenders and/or involve borrowers in rural areas typically not well serviced by major lenders. As a result, the non-prime mortgages held by the Fund are expected to earn a higher rate of interest than what is generally obtainable through conventional mortgage lending activities. Generally unlike mortgage mutual funds, the Corporation engages in direct mortgage lending activities instead of acquiring mortgages, or fractional interests in mortgages, in the secondary market. Also unlike many mortgage mutual funds, the Corporation does not use derivatives and does not participate in mortgage syndications. For further information, see “Investment Objective” and “Investment Strategy”.

The Corporation intends to maintain a constant Book Value per Share. This is achieved by crediting each beneficial Shareholder’s account with the net income and net realized capital gains, if any, (less applicable losses and administration and management fee distributions) each month so that the total number of Common Shares outstanding varies in proportion with the Fund’s liabilities and assets. There is however no guarantee that the Book Value per Share will not fluctuate; the issue price of the Common Shares will be the Book Value per Share next determined after the receipt of a purchase order by the Corporation.

Although the Corporation has established a line of credit in the amount of \$3,000,000, it intends to use minimal leverage in the course of making mortgage investments. The purpose of the credit facility is to smooth out cash flows rather than to extend the Corporation’s investment capacity beyond its available equity. As such, the aggregate amount of borrowing by the Corporation will not

exceed 10% of the Corporation's net assets at the time of borrowing. For further information, see "Investment Strategy".

An investment in Common Shares will be subject to certain risks that should be carefully considered by investors. These risks include the higher risk associated with the Fund's non-conventional rather than conventional mortgage lending activities, the inability of borrowers to make mortgage payments, the relative ranking of mortgages held by the Fund, changes in the value of the mortgaged property, the inability of the Manager to find mortgage investments, the fact that the targeted dividend payments are not guaranteed, potential environmental liabilities, the fact that an investment in the Common Shares is not insured, the illiquid nature of mortgages, the fact that shareholders' ability to redeem Common Shares at their option is limited, the Fund's reliance on third parties, unexpected changes in legislation, the absence of governmental and other guarantees, potential conflicts of interest and income tax liabilities. For further information, see "Risk Factors."

The Fund intends to declare and pay monthly dividends in an amount sufficient to reduce its taxable income each year to nil. For investors holding Common Shares outside a registered tax plan, any dividends, other than capital gains dividends, received will be treated as interest income for income tax purposes. Under the Corporation's dividend policy, monthly dividends are automatically re-invested into additional shares of the Corporation at the then prevailing Book Value per Share. Declared dividends are paid no later than the tenth day of the month following the month in which they are declared. The amount of monthly dividends declared is not guaranteed and will fluctuate with the operating results of the Fund. Common Shares are eligible investments for Registered Retirement Savings Plans, Registered Retirement Income Funds, Registered Education Savings Plans and Tax-Free Savings Accounts. For further information, see "Distribution Policy" and "Income Tax Considerations".

Common Shares may be purchased by clients of the Manager without incurring a sales fee or other form of commission. Investors may also purchase Common Shares through the investment dealer of their choice. Such investors may be required to remunerate their dealer in relation to their subscription for Common Shares.

The Common Shares are redeemable only once per year, on November 30 (the "**Redemption Date**"). The Corporation may, at its sole discretion, accept instructions for the redemption of Common Shares on a day other than the Redemption Date: (i) in the event of the death of the holder of Common Shares; or (ii) in situations of marital breakdown in order to facilitate compliance by the shareholder with the terms of a separation agreement or court order; or (iii) in situations of personal hardship where, in the opinion of the Board of Directors, early redemption is warranted. For further information, see "Redemption of Securities".

Organization and Management of Frontenac Mortgage Investment Corporation

Manager	W.A. Robinson & Associates Ltd. 14216 Road 38 Sharbot Lake, Ontario K0H 2P0
Portfolio Advisor	W.A. Robinson & Associates Ltd. Sharbot Lake, Ontario
Mortgage Broker and Administrator	Pillar Financial Services Inc. Sharbot Lake, Ontario
Custodian	Computershare Trust Company of Canada Toronto, Ontario
Registrar and Transfer Agent	W.A. Robinson & Associates Ltd. Sharbot Lake, Ontario
Auditor	David Seeds, CA, Professional Corporation Sharbot Lake, Ontario

W.A. Robinson & Associates Ltd. (the “**Manager**”) has been retained by the Corporation to manage the overall business and operations of the Corporation and to provide it with investment advice and portfolio management services in respect of its investment portfolio. The Manager also serves the role of transfer agent and registrar of the Common Shares of the Corporation. The Manager is majority-owned by Mr. Wayne A. Robinson. For more information on the organization and management of the Fund, see “Organization and Management Details of the Investment Fund”.

Pillar Financial Services Inc. (the “**Administrator**”) is a licensed mortgage broker and has been retained by the Corporation to service the Corporation’s mortgage portfolio, including the sourcing and administration of mortgages. The Administrator is also responsible for the underwriting and approval of prospective mortgage applications, collection of payments and, where necessary, commencing enforcement proceedings against delinquent mortgagors. The Administrator is wholly-owned by Mr. Wayne A. Robinson and as such is an affiliate of the Manager.

Computershare Trust Company of Canada (the “**Custodian**”) has been retained to provide safekeeping services for the assets of the Fund.

David Seeds, CA, Professional Corporation is located in Sharbot Lake, Ontario and is the auditor of the Corporation.

Summary of Fees and Expenses

The following table lists the fees and expenses that an investor will incur by investing in the Common Shares. Some of these fees and expenses will be paid by investors directly while others will be paid by the Corporation and therefore reduce the value of an investment in the Corporation.

Fees and expenses payable by the Corporation	
Management and portfolio advisory fee	The Corporation will pay to the Manager an annual fee of 1% of the value of the Corporation's assets, calculated and payable monthly, for the provision of investment advice and portfolio management services as well as general management services including acting as registrar and transfer agent for the Common Shares. Assuming constant leverage throughout the year of 13% of the net asset value of the Fund, the total fees paid by the Fund to the Manager would represent approximately 1.13% of the Fund's net asset value.
Mortgage brokerage and administration fee	The Corporation pays to the Administrator an annual fee of 1% of the value of the Corporation's assets in consideration of the mortgage brokering and administration services it provides. Assuming constant leverage throughout the year of 13% of the net asset value of the Fund, the total fees paid by the Fund to the Administrator would represent approximately 1.13% of the Fund's net asset value.
Expenses of the issue	All expenses related to the Offering (including this prospectus) are paid by the Corporation.
Operating expenses	The Corporation pays for all of its operating expenses (except advertising, marketing and promotional costs and expenses, which are paid for by the Manager or Administrator, as applicable) which include audit and legal fees, fees and expenses of the custodian, expenses related to shareholder meetings, directors' fees, fees paid to and incurred by the IRC (which were nil in the Fund's past year of operations), costs associated with financial reports and other continuous disclosure obligations, shareholder servicing costs including reporting and record-keeping costs, and directors' and officers' liability insurance premiums.

Fees and expenses directly payable by the investor	
Client advisory fee	The Manager charges its clients, including those who subscribe for Common Shares, an investment counselling or portfolio management fee. Typically, this fee is set at 1.5% of the value of the client's assets under administration, excluding the portion thereof which is invested in the Common Shares. This exclusion ensures that clients of the Manager will effectively not bear the burden of two management fees (one on their overall portfolio and one on the Common Shares held within their portfolio).
Registered tax plan fees	The Trustee's fees for acting as trustee of the Frontenac RSP and the Frontenac RIF are paid by the investor. The Trustee charges the investor, for each client account, an annual trusteeship fee of \$125 and an annual "small business position fee" of \$25. Where a client has more than one account, the annual trusteeship fee for each additional account is reduced from \$125 to \$50. However, the "small business position fee" of \$25 applies to each account.
Sales charges, service fees and redemption fees	Nil for Qualified Investors. Investors purchasing or selling Common Shares through their own securities dealer may be charged a fee by the dealer.

Annual Returns and Management Expense Ratio

The following table sets out the Corporation's results of operations for each of the past five years ended December 31:

	2008	2007	2006	2005 ⁽³⁾	2004 ⁽³⁾
Annual returns ⁽¹⁾	6.24%	7.20%	5.78%	N/A	N/A
MER ⁽²⁾	4.55%	3.69%	4.30%	N/A	N/A

Notes:

- (1) The Fund's annual returns are net of the MER.
- (2) "MER" means management expense ratio. The management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The management expense ratio is calculated by dividing the total expenses for the stated period by the Corporation's daily average net assets during such period.
- (3) The Fund was only in operation for the period of June 22, 2005 to December 31, 2005, therefore annual figures are unavailable.

GLOSSARY

“**Administrator**” means Pillar Financial Services Inc.

“**Board of Directors**” means the board of directors of the Corporation.

“**Book Value per Share**” means the value of Common Shares computed on a Valuation Date which is equal to the outstanding principal value of the Corporation’s mortgages, net of any write-down for impairment, plus any accrued interest, pre-paid expenses, cash and other assets of the Corporation, less liabilities, divided by the number of issued and outstanding Common Shares on such Valuation Date. The concept of Book Value per Share is equivalent to that of “net asset value per share” used by mutual funds.

“**Broker**” means Laurentian Bank Securities Inc./Valeurs mobilières Banque Laurentienne Inc., acting through its division Laurentian Bank Discount Brokerage.

“**Business Day**” means any day, other than a Saturday, Sunday or statutory holiday in the Province of Ontario, on which banks are generally open for business in Ottawa, Ontario.

“**CBCA**” means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended.

“**Common Shares**” means the common shares of the Corporation.

“**Corporation**” or the “**Fund**” means Frontenac Mortgage Investment Corporation.

“**Custodian**” means Computershare Trust Company of Canada.

“**Frontenac RSP**” means the specimen retirement savings plan approved by the Canada Revenue Agency under the name “Frontenac Mortgage and Investment Fund Retirement Savings Plan” and, where applicable, includes the self-directed retirement savings plan issued by the Trustee which succeeded thereto.

“**Frontenac RIF**” means the specimen retirement income fund approved by the Canada Revenue Agency under the name “Frontenac Mortgage and Investment Fund Retirement Income Fund” and, where applicable, includes the self-directed retirement income fund carried by the Trustee which succeeded thereto.

“**IRC**” means the Independent Review Committee appointed for the Fund pursuant to National Instrument 81-107 – *Independent Review Committee for Investment Funds*.

“**Manager**” means W.A. Robinson & Associates Ltd.

“**Offering**” means the offering of Common Shares by the Corporation pursuant to this prospectus.

“Qualified Investors” means those individuals who have entered into a portfolio management or investment counselling agreement with the Manager, as further described in the section of this prospectus entitled “Plan of Distribution”.

“Redemption Cut-off Date” means the date that is five Business Days prior to the Redemption Date.

“Redemption Date” means November 30 or, if November 30 is not a Business Day, the first Business Day immediately following November 30.

“RRIF” means a registered retirement income fund, as defined in section 146.3(1) of the Tax Act.

“RRSP” means a registered retirement saving plan, as defined in section 146(1) of the Tax Act.

“Tax Act” means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp.), as amended.

“Trustee” means B2B Trust, a trust company incorporated under the laws of Canada.

“Valuation Date” means the last Business Day of each calendar month on which the Book Value per Share is computed.

OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

The Fund was incorporated under the name “Frontenac Mortgage Investment Corporation” on October 26, 2004 pursuant to the CBCA. The Corporation's head and registered office is located at The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0. The Corporation has no subsidiaries. The Corporation’s authorized capital consists of a single class of shares without par value denominated as common shares (the “**Common Shares**”).

The Fund is a mortgage investment corporation as defined in the Tax Act. The Fund is not considered a mutual fund under the securities legislation of the Province of Ontario.

INVESTMENT OBJECTIVES

The fundamental investment objective of the Corporation is to generate as much income as possible while preserving capital for re-investment through the making of commercial and residential mortgage loans secured against real property located in Canada and principally in Ontario and Quebec. As a mortgage investment corporation, the Corporation expects to derive its earnings principally from the receipt of mortgage interest payments and subsidiarily from interest or interest-like distributions on the cash reserves of the Corporation.

INVESTMENT STRATEGIES

The Fund’s business consists in lending money, principally to individuals, for the purposes of acquiring, developing, maintaining or upgrading residential and other real property, against the security of a mortgage granted on such property. The purchase of a single security, namely, the Common Shares, allows an investor to participate with other investors in a common fund holding a variety of mortgages.

The Corporation works closely with retail mortgage brokers throughout Ontario and western Quebec in order to market itself as a lender of choice in the non-prime mortgage market segment. In this manner, it expects to be well positioned to receive referrals on mortgage lending opportunities that do not meet the criteria of the major lending institutions and/or will involve borrowers in rural areas typically not well serviced by major lenders. As a result, the Fund’s investments in non-prime mortgages are expected to earn a higher rate of interest than what is generally obtainable through traditional mortgage lending activities. In furtherance of its strategy, the Corporation:

- (i) will make loans in amounts up to 80% of the fair market value of the mortgaged property, subject to certain restrictions, as more fully set out under “Investment Restrictions”, for initial terms of up to five years;
- (ii) may from time to time engage in bridge financing activities including the financing of new home construction;

- (iii) targets that at least 70% of the mortgages held will be first mortgages and no more than 30% of the mortgages held will be second mortgages;
- (iv) allows for up to 49% of the mortgages held to be on commercial or mixed used properties;
- (v) intends to generally invest in open mortgages carrying a fixed rate of interest;
- (vi) targets holding a cash position equal to approximately 5% of its total assets; and
- (vii) will not buy or sell mortgages in the secondary market, hold a fractional interest in a mortgage or participate in mortgage syndications.

In July 2007, the Board of Directors of the Corporation approved a revolving credit facility (line of credit) in the amount of \$3,000,000 with the Royal Bank of Canada. The facility is secured by an assignment of the Corporation's receivables, a general security agreement and a hypothec over the Corporation's moveable property. The Corporation does not pursue a leveraged investment strategy, i.e., it does not systematically borrow money (including drawing on its line of credit) in an attempt to increase the Fund's returns by taking advantage of the difference between the interest earned on the loans made by the Fund and the cost of borrowing the money to make such loans. The line of credit is used to smooth out the Fund's cash flow. In effect, the timing of large cash inflows is unpredictable as mortgage terms permit mortgagors to repay their mortgages at any time while the timing of new equity from investors is generally uncertain. The facility allows the Fund to maintain its liquidity requirements within the limits of its investment policies while placing a higher continuous percentage of its assets in its mortgage portfolio. This ultimately enhances the overall return of the Fund. Consistent with the foregoing approach, the aggregate amount of borrowing by the Corporation will not exceed 13% of the Corporation's net assets at the time of borrowing.

In order to increase the investment return on the cash held by the Fund, the Fund intends to invest a substantial portion of its cash in term deposits, guaranteed investment certificates, money market mutual funds or in other money market securities.

In pursuing its investment strategy, the Corporation will be subject to certain limitations (see "Investment Restrictions").

Overview of the Investment Structure

The Corporation qualifies as a mortgage investment corporation under the Tax Act (see "Income Tax Considerations"). Mortgage investment corporations were introduced in Canada in 1973 by the enacting of the *Residential Mortgage Financing Act* (Canada). One of the stated objectives of this statute was the improvement of the flow of mortgage funds for middle and moderate income home buyers, a necessary step in order to reach national housing targets. Mortgage investment corporations were intended to encourage and facilitate the investment of private capital into residential mortgages by providing a vehicle through which smaller, non-institutional, investors could place investment funds into mortgages. Recognizing that mortgages are not as liquid as other securities such as stocks and bonds and not as easy to buy and sell or divide into fractional interests so as to facilitate portfolio diversification, the government of the day elected to allow for the

creation of corporate entities permitting the pooling of mortgages. The shareholder of these entities would, similarly to mutual fund investors, own a part of the corporation's total portfolio corresponding to his or her own investment and enjoy the benefits of expert advice. The tax treatment of mortgage investment corporations would be comparable to that of direct investments in mortgages. (*Source: Notes on a Bill introduced in the House of Commons by the Honourable Ron Besford, Minister of State for Urban Affairs, February 1, 1973*).

The Fund is one of the few mortgage investment corporations which has filed a prospectus in Canada and is therefore a “reporting issuer” under securities legislation. Shares of other mortgage investment corporations are typically sold in Canada by private placement in reliance on exemptions from the prospectus and/or dealer registration requirements imposed by securities legislation. As a reporting issuer, the Fund has some characteristics that differentiate it from private placements. Firstly, as an investment qualified by prospectus, the Fund is available to the general investing public. An investment in a private placement requires securities law exemptions, which typically mean that an investor must invest a minimum of \$150,000 or meet minimum annual income tests or net worth requirements to invest. Secondly, as a reporting issuer, the Fund is subject to certain investor protections afforded by securities legislation, such as the extensive initial disclosure provided by a prospectus and the continuous disclosure resulting from, for example, the regular provision of financial information and access to material contracts, none of which is required of private placement investments.

The Corporation, through the Custodian, is the mortgagee of record for each of the Corporation’s mortgages and is thus registered on title to each of the properties which are charged by such mortgages. The right of a mortgagee to make a claim and institute proceedings against a defaulting borrower belongs to the Corporation; shareholders may not institute individual legal actions against a borrower. However, shareholders are entitled to share proportionately in the proceeds of any recovery from a borrower. Likewise, any loss on a mortgage investment or other security held by the Fund is borne by all investors in proportion to their shareholdings.

OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN

Traditionally, mortgage financing of single dwelling residential real estate has been dominated by Canadian chartered banks, trust companies and loan companies which source mortgages largely through their own branch networks. However, such traditional mortgage lenders are restricted by their rigid lending criteria in their ability to provide certain types of mortgages. For example, traditional lenders do not cater well to those seeking a mortgage loan for a rural property (often having a septic system and a well), real estate situated in smaller agglomerations and properties with large acreages. Additionally, traditional lending institutions are generally less willing to offer financing to borrowers who do not fit conventional underwriting standards, such as self-employed individuals, individuals compensated by commission income rather than salary, persons lacking long-term employment history, single parents, small business operators and farmers. It is therefore often difficult for such persons to obtain financing from major lenders, regardless of the loan-to-value ratio (i.e. the value of the loan expressed as a percentage of the value of the property being mortgaged) or additional security offered.

Credit-challenged borrowers and those seeking a mortgage loan for a non-prime property often turn to alternative lenders such as the Corporation for mortgage financing. Alternative lenders source mortgages primarily through their contacts with mortgage brokers. In exchange for assuming additional risk, alternative lenders charge rates of interest which are higher than the going rate charged by traditional lenders on prime mortgage loans.

According to a survey conducted in 2006 by the Canada Mortgage and Housing Corporation, it is estimated that 30% of home buyers in Canada used a mortgage broker when arranging a mortgage, compared to 22% in 2002. Based on 2005 information, home buyers in Ontario are estimated to be the second-highest users of brokers (27%) after British Columbia (32%). Good relationships with mortgage brokers ensure a steady supply of mortgage lending opportunities.

Since neither the Corporation nor the Manager is licensed to trade or administer mortgages, they cannot engage directly in the business of lending money on the security of real estate and must therefore conduct their mortgage investment activities through a licensed mortgage broker such as the Administrator. The Corporation has therefore entered into an administration agreement with the Administrator pursuant to which the Administrator has agreed to service the Corporation's mortgage portfolio, including the sourcing and administration of mortgages. (see "Material Contracts - Administration Agreement").

Competitive conditions and trends

In the last five years, the mortgage brokering business has changed markedly. The province of Ontario has seen many more individuals becoming registered mortgage brokers or agents. Mortgage brokers serve as the principal source of referrals of mortgage opportunities for the Corporation. An increase in the number of mortgage brokers and agents therefore increases the reach of the Administrator into the non-prime market, resulting in a greater selection of lending opportunities for the Fund.

With respect to mortgage lenders, prior to mid-2007, there was a considerable rise in the number of non-traditional lenders from within Canada and also from the United States (e.g. GMAC, Wells-Fargo). Canadian banks had also increased their own staffing to attend with potential clients at their own homes rather than wait for borrowers to arrive at the doorstep of the bank's branch. The banks had also created or purchased entities that competed more directly with non-traditional lenders, for example First Line Mortgages (a division of CIBC Mortgages Inc.), Xceed Mortgage Corporation (a Bank of Montreal spin-off) and Scotia Mortgage Investment Corporation (a subsidiary of the Bank of Nova Scotia).

The sub-prime mortgage crisis which affected the American mortgage market in 2008 and the ensuing credit crunch has not had a negative effect on the Fund. The Corporation has remained immune to this crisis in large part because it does not rely on securitization for its funding nor does it otherwise participate in any securitization activities. This has allowed both the Corporation and the Administrator to continue their respective operations without being adversely impacted by the crisis. In fact, the crisis has resulted in increased investment opportunities for the Fund. Firstly, some of the large non-conventional U.S. lenders such as GMAC and Wells Fargo have exited the Canadian market to refocus on their business at home or ceased offering non-prime mortgage services to the

marketplace. Secondly, the major Canadian chartered banks have incurred large losses on the portion of their loan portfolios exposed to the U.S. housing marketplace and dramatically scaled back the special purpose entities they had created to service the marketplace. Thirdly, the sub-prime debacle has caused Canadian banks and credit unions to tighten their own lending guidelines and refer more customers for mortgage loans to alternative lenders such as the Corporation.

While the aforementioned sub-prime mortgage crisis in the U.S. and the resulting plunge in global stock markets led the global economy into recession in 2008, the Corporation has continued to adjust to changing times as part of the active management of its mortgage portfolio. As at June 30, 2009, 96% of the Corporation's mortgage portfolio consisted of first mortgages and the total loan-to-value ratio was approximately 60%. While economic forecasts in Canada call for a decline in home prices of 5%-6% in 2009, the Eastern Ontario market, in which the Corporation's mortgage portfolio is largely based, has fared much better with home prices remaining steady. These level home prices combined with the Fund's first security position and low loan-to-value ratio maintain the strength of our mortgage security. In these economically troubled times, the strength of this security and the active management on the part of the Manager and Administrator have allowed the Corporation to maintain its positive returns for its shareholders and meet its capital preservation objective.

Even as larger alternative lenders come and go, the Manager believes that there remains a strong and lucrative market niche consisting in servicing smaller towns, villages and rural areas where lenders generally find it economically questionable to service such markets. Potential borrowers in this market niche relate well to experienced smaller-scale lenders such as the Corporation with an understanding of their collateral and personal situation.

INVESTMENT RESTRICTIONS

This section outlines the operating restrictions and the operating and investment policies of the Corporation.

Operating restrictions

The Fund's investment practices are subject to certain operating, lending and other restrictions which have been adopted by the Board of Directors. According to these restrictions, the Corporation may not:

- (i) make a mortgage loan if, immediately after the closing of the loan transaction, the amount so lent would be greater than 10% of the book value of the Corporation's net assets;
- (ii) guarantee securities or obligations of any person or company;
- (iii) engage in securities lending;
- (iv) engage in derivative transactions for any purpose;

- (v) lend money on the security of a mortgage unless an independent appraisal by a qualified appraiser of the real estate which is the primary collateral for the loan has been obtained;
- (vi) develop, manage or acquire (except by foreclosure or other enforcement of its rights as mortgagee) any real property;
- (vii) enter into a forward commitment binding on the Corporation unless the Corporation has, at the time such commitment is made, sufficient cash or “near cash” securities to fund the loan to which the commitment relates; or
- (viii) otherwise conduct its business in a manner that would cause the Corporation not to qualify as a “mortgage investment corporation” under the Tax Act or that would result in the Common Shares not being a “qualified investment” for RRSPs and RRIFs under the Tax Act.

Operating policies

In addition to the foregoing operating restrictions, the Corporation adheres to the following operating policies:

- (i) the Corporation must obtain a Phase I environmental audit where the real estate to be provided as security for a mortgage loan is commercial property. Where the real estate is not commercial property, a Phase I environmental study will not be commissioned unless the Administrator deems such an audit to be necessary;
- (ii) the Corporation will obtain title insurance in respect of real property provided as security for a mortgage loan in such amounts and on such terms as the Administrator considers appropriate or, in the alternative, will obtain a favourable title opinion from a solicitor;
- (iii) the Corporation must establish and maintain property tax escrow accounts in respect of real estate property provided as security for a mortgage loan unless the Administrator has determined that the establishment of such an account is not necessary; and
- (iv) the legal title to each mortgage and other investments of the Corporation must be held by and registered in the name of the Corporation or of the Custodian.

Investment policies

The Corporation has adopted certain policies which establish the investment criteria for the Corporation’s investments. By entering into the Management Agreement (see “Material Contracts – Management Agreement”), the Manager has agreed to abide by and apply these policies, which are as follows:

- (i) the Corporation is required to have at all times approximately 5% of its total assets in cash, “near-cash” securities (such as term deposits, guaranteed investment certificates or money market securities) or have cash readily accessible (for example, through a line of credit) in order to meet redemption requests (see “Redemption of Securities”) and also to be in a position to redeem a prior mortgagee's interest in a given property if the Manager considers that it would be advantageous for the Corporation to do so having regard to the market value of the property and the amount of mortgage debt due to the Corporation;
- (ii) the Corporation may not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is a shareholder of the Corporation or of any other person who does not deal at arm’s length with the annuitant of an RRSP or RRIF which holds Common Shares;
- (iii) the Corporation may not make any loan or investment which does not meet the “Canadian content” requirements of paragraph 130.1(6)(c) of the Tax Act;
- (iv) the Corporation may not make a loan which, together with all other mortgage loans that have priority over or rank *pari passu* with such loan, exceeds 80% of the fair market value of the mortgaged property, except when:
 - (a) such mortgage is insured under the *National Housing Act* (Canada) or any similar legislation of a province, or
 - (b) the excess over 80% is insured by an insurance company registered or licensed under the *Insurance Companies Act* (Canada) or similar legislation of a Canadian province or territory;
- (v) the Corporation may not make a loan secured by a mortgage on a property in which:
 - (a) any senior officer or director of the Corporation, the Administrator or the Manager, or
 - (b) any associate or affiliate of a person referred to in (a)has an interest as mortgagor;
- (viii) the Corporation will not hold a fractional interest in a mortgage nor participate in mortgage syndications;
- (ix) the Corporation will not trade in mortgages in the secondary market although the Corporation retains the ability, in exceptional circumstances, to assign a mortgage to a third party;
- (x) the Corporation may not hold a mortgage the term of which exceeds five years, but mortgages held by the Corporation may contain provisions permitting the mortgagor, when not in default, to renew the mortgage for one or more additional terms.

FEES AND EXPENSES

Fees and Expenses Payable by the Corporation

Management Fee

The Manager manages the affairs of the Corporation (including acting as the Corporation's registrar and transfer agent) and is also responsible for providing the Corporation with investment advisory services. In consideration for these services, the Corporation pays the Manager a monthly management fee equal to one-twelfth of 1% of the value of the Corporation's assets, calculated on a monthly basis. Assuming constant leverage throughout the year of 13% of the net asset value of the Fund, the total fees paid by the Fund to the Manager would represent approximately 1.13% of the Fund's net asset value.

Issue Expenses

The Corporation pays all fees incurred in connection with the Offering including the cost of preparing, printing, filing and distributing the prospectus.

Portfolio Adviser Fee

The fee paid by the Corporation for portfolio advice and management forms part of the general management fee (see above under "Management Fee").

Mortgage Brokerage and Administration Fee

The Administrator is responsible for servicing the Corporation's mortgage portfolio, including the sourcing and administration of mortgages. In consideration for these services, the Corporation pays a monthly fee equal to one-twelfth of 1% of the value of the Corporation's assets, calculated on a monthly basis. Assuming constant leverage throughout the year of 13% of the net asset value of the Fund, the total fees paid by the Fund to the Administrator would represent approximately 1.13% of the Fund's net asset value.

Operating Expenses

The Corporation pays for all of its operating expenses (except advertising, marketing and promotional costs and expenses, which are paid for by the Manager or Administrator, as applicable). These operating expenses include mailing and printing expenses for periodic reports to shareholders; expenses related to shareholder meetings; fees and expenses payable to the custodian of the Fund's assets; fees payable to the auditor and legal advisors of the Corporation; fees payable to, and expenses of, the members of the Board of Directors including the costs associated with the IRC (which were nil in the Fund's past year of operations) (see "Organization and Management of the Investment Fund - Directors and Executive Officers of the Fund); ongoing regulatory filing fees and

other fees payable to Canadian securities regulatory authorities; and directors' and officers' liability insurance premiums.

Broker Fees

The Manager pays the Broker a fixed trading fee for each purchase or redemption of Common Shares as well as an account opening fee in relation to the initial purchase of Common Shares by a Qualified Investor. These fees are solely borne by the Manager.

Fees and Expenses Payable by Investors

Client Advisory Fee

The Manager charges its clients, including those who subscribe for Common Shares (referred to as "Qualified Investors" in this prospectus), an investment counselling or portfolio management fee. Typically, this fee is set at 1.5% of the value of the client's assets under administration, excluding the portion thereof which is invested in Common Shares. This exclusion ensures that clients of the Manager will effectively not bear the burden of two management fees (one on their overall portfolio and one on the Common Shares held within their portfolio).

Registered Tax Plan Fees

The Trustee charges individual investors for acting as trustee of the Frontenac RSP and the Frontenac RIF. For each client account, the Trustee charges an annual trusteeship fee of \$125 and an annual "small business position fee" of \$25. Where a client has more than one account, the annual trusteeship fee for each additional account is reduced from \$125 to \$50. However, the "small business position fee" of \$25 applies to each account.

Redemption Fees

No redemption fees are charged to redeem Common Shares held by a securityholder.

Dealer Compensation

Qualified Investors are not charged a sales commission, a trailing commission or other compensation in connection with the distribution and sale of the Common Shares. Investors purchasing or redeeming Common Shares through their own dealer may be charged a fee or commission by the dealer.

ANNUAL RETURNS AND MANAGEMENT EXPENSE RATIO

The following table sets out the Fund's results of operations for each of the past five years ended December 31:

	2008	2007	2006	2005 ⁽³⁾	2004 ⁽³⁾
Annual returns ⁽¹⁾	6.24%	7.20%	5.78%	N/A	N/A
MER ⁽²⁾	4.55%	3.69%	4.30%	N/A	N/A

Notes:

- (1) The annual returns of the Fund are net of the MER.
- (2) MER means management expense ratio. The management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The management expense ratio is calculated by dividing the total expenses for the stated period by the Fund's daily average net assets during such period.
- (3) The Fund was only in operation for the period of June 22, 2005 to December 31, 2005, therefore annual figures are unavailable.

RISK FACTORS

There are certain risks inherent in an investment in the Common 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 risk factors have been listed from the highest risk to the lowest risk.

Specific investment risk for non-conventional mortgage investments

Non-conventional mortgage investments attract higher loan loss risk due to the borrower's credit situation and sometimes high loan-to-value ratio. This higher risk is compensated for by a higher rate of return. The failure of one or more borrowers to make payments according to the terms of their loan could result in the Fund exercising its rights as mortgagee and may affect the Fund's rate of return, which is directly correlated to the receipt of mortgage payments. Also, the recovery of a portion of the Corporation's assets, i.e. the property put up as collateral by the defaulting mortgagor, would be tied up for a period of time, diverting resources away from the funding of new investments. Legal fees and other costs incurred by the Corporation in enforcing its rights as mortgagee against a defaulting borrower are borne by the shareholders collectively. Although these fees and costs are often recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, there is no assurance that they will actually be recovered. As the number of mortgages held by the Corporation increases, the potential impact of one or more mortgage loans going into default will diminish.

Specific investment risk for second and third mortgage investments

The Corporation will from time to time make a loan in return for a second or third charge on the property. Second or third mortgage investments attract higher loan loss risk due to their subordinate ranking to other mortgage charges and typically higher aggregate loan-to-value ratio. Also, any real property may be subject to one or more liens which will take priority over a mortgage, even a first-ranking one. Such liens may arise, for example, as a result of unpaid municipal taxes or utility bills.

When a charge on real property is in a position other than the first rank, it is possible for the holder of a prior charge, 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 underlying real property. Such actions may include foreclosure, the exercising of a giving-in-payment clause or an action forcing the underlying real property to be sold (known as a "power of sale"). Foreclosure or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any person, other than the holder of a first-ranking charge on the underlying real property, of the security of such real property. If an action is taken to sell the underlying real property and sufficient proceeds are not realized from such sale to pay off all creditors who have charges on the property (including a lien holder) ranking prior to the Corporation, the Corporation may lose all or part of its investment to the extent of such deficiency, unless it can otherwise recover such deficiency from other property owned by the borrower.

In order to mitigate this risk, the Corporation's investment strategy limits the amount of non-first mortgage investments to 30% of the mortgages held by the Corporation.

Changes in property values

The Corporation's mortgage loans will be secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants.

While independent appraisals are required before the Corporation may make any mortgage investment, the appraised values, 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 conditions, including the completion, rehabilitation or making of leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and, if and to the extent they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

Concentration of the Fund's portfolio

The Fund's portfolio is invested almost exclusively in mortgage loans and the investment objectives and investment strategies of the Fund do not permit the composition of the Fund's portfolio to vary widely. Given the concentration of the Fund's exposure to the mortgage lending sector, the Fund will be more susceptible to adverse economic or regulatory occurrences affecting that sector than an investment fund that is not concentrated in a single sector. Due to the relative illiquidity of investments in mortgages, the Fund's ability to vary its investment portfolio promptly in response to changing economic or investment conditions is limited.

Inability to find mortgage investments

The Corporation is competing with many third parties, including other mortgage brokers and financial institutions, seeking investment opportunities similar to those sought by the Corporation. There is no assurance that the number of mortgages required to maintain an optimal level of investment will be funded, and this could have an adverse effect on the ultimate return to the investor.

Sensitivity to interest rates

It is anticipated that the value of the Fund's investment portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Fund's income will consist primarily of interest payments on the mortgages comprising the Fund's investment portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Fund's mortgage assets are based), the Fund may find it difficult to make a mortgage loan bearing rates sufficient to achieve the targeted payment of dividends on the 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 Fund's ability to maintain dividends on the Shares at a consistent level.

Due to the term of the mortgages made by the Fund and the inability to accurately predict the extent to which the Fund's mortgages may be prepaid, it is possible that the Fund may not be able to sufficiently reduce interest rate risk associated with the replacement of such mortgages through new investments in mortgages.

No guarantees

There is no assurance that the Corporation will be able to pay dividends at the level targeted by the Corporation. The funds available for distribution to shareholders will vary according to many factors, notably the interest and principal payments received in respect of mortgage loans held by the Fund and the rate of return on the Corporation's cash balances.

Although mortgage loans made by the Corporation are carefully selected by the Manager, there can be no assurance that such loans will have a guaranteed rate of return to investors or that losses will not be suffered on one or more loans. Moreover, at any point in time, the interest rates being charged for 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.

In the event that additional security is given by the borrower or that a third party guarantees the mortgagor's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Corporation whole if and when resort is to be had thereto.

Notwithstanding the past track record of the Corporation, there can be no assurances that the Corporation will be able to maintain its Book Value per Share at a constant amount.

Environmental liability of a mortgagee

Under various laws, the Corporation could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes, where the Corporation has exercised its right of re-entry or foreclosure or has otherwise assumed the control, occupation or management of the property. The Corporation does not systematically obtain environmental audits of all properties subject to mortgages. The Administrator only requires an environmental audit on commercial properties or any property which, in its opinion, has the potential of carrying environmental liability.

Investment not insured

Neither the Manager nor the Corporation is a member of the Canada Deposit Insurance Corporation and the Common Shares offered hereunder are therefore not insured against loss through the Canada Deposit Insurance Corporation. Moreover, mortgages held by the Fund are not insured through the Canada Mortgage and Housing Corporation or otherwise.

Renewal of Mortgages

There can be no assurances that any of the mortgages held by the Corporation can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage held by the Corporation, it is possible that either the mortgagor, the mortgagee, i.e. the Fund, or both, will elect not to renew such mortgage. In addition, if the mortgages in the Fund's mortgage portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal and the terms of a refinancing may therefore not be as favourable as the terms of existing indebtedness.

Nature of the investments

Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Manager's ability to vary the mortgage portfolio promptly in response to changing economic or investment conditions. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. The Corporation may be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

Absence of market and limited redemption rights

There is no public market for the Common Shares. The Common Shares are not listed on a stock market or quoted on any public market in Canada or elsewhere.

The ability of shareholders to redeem Common Shares is limited. Moreover, in any given year, the Corporation may partially or completely suspend shareholders' right of redemption if the monetary amount of requests for redemption exceeds a certain threshold (see "Redemption of Securities").

Reliance on third parties

In assessing the risk of an investment in the Corporation, potential investors should be aware that they will be relying on the good faith, experience and judgement of certain staff of the Manager and Administrator, and of Mr. Wayne Robinson in particular. Should Mr. Robinson be unable or unwilling to continue his employment with the Manager or Administrator, this could have a material adverse effect on the Corporation's business, financial condition and results of its operations.

Changes in legislation

There can be no assurance that income tax or securities legislation or other laws will not be changed in a manner which, ultimately, adversely affects the holders of Common Shares.

Potential conflicts of interest

The Manager has sole discretion in determining which mortgages it will make available to the Corporation for investment. Conflicts of interest may arise because of the fact that the Manager also advises and transacts in mortgages for private clients and is involved in the management and distribution of a private mortgage investment corporation, which may be in direct competition with the Fund.

Income tax liabilities

In the event that all or part of the purchase price paid by an investor in relation to a purchase of Common Shares held under an RRSP constitutes, in and of itself or together with contributions made to another registered retirement savings plan, an amount in excess of such person's "RRSP deduction limit" (as defined in the Tax Act), the investor may be liable to pay tax under Part X.1 of the Tax Act in respect of the person's over-contribution to his or her RRSP. Investors are responsible for determining their own RRSP deduction limit.

In the event that an annuitant under a RRIF withdraws an amount in excess of the "minimum amount" required to be withdrawn under the Tax Act from a RRIF and the RRIF is a spousal or common-law partner plan (as defined in the Tax Act) in relation to the annuitant, such excess amount will be taxed as income of the annuitant's spouse or common-law partner if, and to the extent that, the annuitant's spouse or common-law partner made contributions to a spousal or common-law partner RRSP during that year or any of the previous two years.

DISTRIBUTION POLICY

The Corporation has adopted a by-law providing that all of the investment income of the Corporation, after payment of the Corporation's expenses, including without limitation the fees under the material contracts described elsewhere in this prospectus (see "Material Contracts") will be systematically paid to shareholders of record as at the last Business Day in each month (the "**Record Date**") in the form of a share dividend. All declared dividends will be credited to the account of each shareholder as at the Record Date by crediting such shareholder's account with additional Common Shares or fractions thereof (the "**Dividend Shares**") in proportion to the shareholder's respective shareholdings as at the close of business on the Record Date. Where Common Shares are held pursuant to the Frontenac RSP or Frontenac RIF, the Dividend Shares will be credited to the account of each annuitant.

All declared dividends will be paid in the amount described above no later than the tenth day following the month during which the dividend is declared.

For the 12-month period during which the Offering will take place, the Manager is targeting an annualized yield (net of all fees and expenses of the Fund) approximately equal to the yield of a two-year Government of Canada bond plus 300 basis points.

PURCHASES OF SECURITIES

The Corporation has not retained a dealer to act as principal distributor of the Common Shares. Common Shares may be purchased by Qualified Investors, as described in this prospectus under the heading "Plan of Distribution", or they may be purchased by investors through a securities dealer of their choice.

Qualified Investors are not required to pay a brokerage fee or commission in connection with the purchase of Common Shares (see "Fees and Expenses"). Other purchasers of Common Shares may be charged a sales commission or other fee by their dealer.

The Corporation values its Common Shares on a monthly basis. Common Shares will be issued at a purchase price equal to the Book Value per Share established on the next Valuation Date immediately following the day on which a purchase order is received by the Manager.

The Corporation intends to maintain a constant Book Value per Share. This is achieved by crediting each beneficial Shareholder's account with the net income and net realized capital gains, if any, (less applicable losses and administration and management fee distributions) each month so that the total number of Common Shares outstanding varies in proportion with the Fund's liabilities and assets. There is however no guarantee that the Book Value per Share will not fluctuate.

The Fund reserves the right to reject any purchase order for the purchase of Common Shares if (i) the rejection of the order is made no later than two business days after receipt by the Fund of the

purchaser's order; and (ii) on rejection of the order, all cash received with the order is refunded immediately.

REDEMPTION OF SECURITIES

The Corporation will process redemption orders for its Common Shares once a year on the Redemption Date. Shareholders (including those holding Common Shares through the Frontenac RSP or Frontenac RIF) wishing to redeem Common Shares may do so by providing a written request to the Manager no later than 4:00 p.m. on the Redemption Cut-off Date. Any redemption notice that the Manager 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 the notice relates shall be considered, for all purposes, not to have been thereby exercised. If the registered owner of the Common Shares is a corporation, partnership, agent, fiduciary or surviving joint owner, the Corporation may require additional information.

The Corporation may also, at its sole discretion, purchase Common Shares for redemption on a day other than the Redemption Date: (i) in the event of the death of the holder of Common Shares; or (ii) in situations of marital breakdown in order to facilitate compliance by the shareholder with the terms of a separation agreement or court order; or (iii) in situations of personal hardship where, in the opinion of the Board of Directors, early redemption is warranted.

The price at which Common Shares will be redeemed will be the Book Value per Share established for the month of November following the receipt of a redemption request, together with any required documentation. Redemption proceeds will be paid out within ten days of the Redemption Date.

Qualified Investors are not required to pay a brokerage fee or commission in connection with the redemption of Common Shares (see "Fees and Expenses"). Other persons redeeming Common Shares may be charged a fee by their dealer.

The Corporation will not redeem Common Shares for which a notice of redemption is received if the redemption of the aggregate number of Common Shares scheduled to be redeemed in a year will result in the Corporation redeeming a number of Common Shares which is greater than 25% of the Common Shares issued and outstanding as at the beginning of such year. The Board of Directors may, in its sole discretion, waive the aforementioned limitation in respect of any Redemption Date. Failing such waiver, Common Shares which are earmarked for redemption will be redeemed on a *pro rata* basis up to the maximum aggregate amount allowable in application of the above threshold.

INCOME TAX CONSIDERATIONS

In the opinion of Gowling Lafleur Henderson LLP, counsel to the Corporation, the following constitutes a fair and adequate summary of the principal Canadian federal income tax considerations applicable to investors hereunder.

This summary is based upon the facts set out in this prospectus, the current provisions of the Tax Act and the regulations thereunder, all specific proposals (the “**Tax Proposals**”) to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current published administrative practices of the Canada Revenue Agency. This summary assumes that any Tax Proposals will be enacted as currently proposed but does not take into account or anticipate any other changes in law whether by legislative, governmental or judicial action and does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction.

The summary contained in this section is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. It is not intended to be and should not be interpreted as legal or tax advice to any particular individual. Individuals are urged to consult with their own tax adviser regarding the income tax considerations to them of acquiring, holding and disposing of the Common Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Status of the Investment Fund

This summary is based on the assumption that the Corporation will at all times meet certain conditions imposed on the Corporation under the Tax Act in order to qualify as a mortgage investment corporation (a “**MIC**”) thereunder. These conditions will generally be satisfied if, throughout a taxation year of the Corporation:

- (i) the Corporation was a Canadian corporation as defined in the Tax Act;
- (ii) the Corporation's only undertaking was the investing of funds and it did not manage or develop any real property;
- (iii) no debts were owing to the Corporation that were secured on real property situated outside Canada;
- (iv) no debts were owing to the Corporation by non-residents unless such debts were secured on real property situated in Canada;
- (v) the Corporation did not own shares of non-resident corporations;
- (vi) the Corporation did not hold real property, or any leasehold interest in such property, located outside of Canada;
- (vii) the cost amount of the Corporation's property consisting of debts secured by mortgages on houses or on property included within a housing project (as those terms are defined in the *National Housing Act*), together with cash on hand and deposits with a bank or any other corporation whose deposits are insured by the Canada Deposit Insurance Corporation or with a credit union (collectively, the “**Qualifying Property**”) was at least 50% of the cost amount to it of all of its property;

- (viii) the cost amount of real property (including leasehold interests therein but excluding real property acquired as a consequence of foreclosure or defaults on a mortgage held by the Corporation) owned by the Corporation did not exceed 25% of the cost amount to it of all of its property;
- (ix) the Corporation had at least 20 shareholders and no person was a “specified shareholder”, meaning that no shareholder (or related person) may hold more than 25% of the shares of any class of the Corporation at any time in the taxation year;
- (x) holders of preferred shares, if any, had a right, after payment to them of their preferred dividends, and payment of dividends in a like amount per share to the holders of the Common Shares, to participate *pari passu* with the holders of common shares in any further payment of dividends;
- (xi) where at any time in the year the cost amount to the Corporation of its Qualifying Property as defined in (vii) above was less than two-thirds of the cost amount to it of all of its property, the Corporation’s liabilities did not exceed three times the amount by which the cost amount to it of all of its property exceeded its liabilities;
- (xii) where the requirement in (xi) is not met in that the cost amount of its Qualifying Property equalled or was greater than two-thirds of the cost amount of all its property, the Corporation’s liabilities did not exceed five times the amount by which the cost amount to it of all its property exceeded its liabilities.

If the Corporation were at any time to cease to qualify as a MIC, the income tax considerations would be materially different from those described below.

Taxation of the Investment Fund

Provided the Corporation remains a MIC throughout the year, the Corporation will be entitled to deduct the full amount of all taxable dividends (other than capital gains dividends) which it pays during the year or within 90 days after the end of the year to the extent that such dividends were not deductible by the Corporation in computing its income for the preceding year. A MIC may declare a capital gains dividend in an amount equal to the gross amount of its capital gains and is entitled to deduct a portion of such dividend from its taxable income. The combination of the Corporation's deduction for capital gains dividends and the shareholder's deemed capital gain allows the Corporation to flow capital gains through to a shareholder on a tax-efficient basis.

The Corporation intends to declare dividends each year in sufficient amounts to reduce its taxable income to nil. To the extent that it does not do so, the Corporation will be taxed at the highest corporate rates.

Taxation of Securityholders

Provided the Corporation qualifies as a MIC under the Tax Act throughout the taxation year, any dividends, other than capital gains dividends, received from the Corporation by a shareholder who is a resident of Canada will be deemed to be interest income for income tax purposes.

Redemption of a shareholder's shares by the Corporation may give rise to a deemed dividend and a capital gain or capital loss, depending upon the amount and nature of the redemption proceeds.

Taxation of Registered Plans

The Common Shares will be qualified investments for RRSPs, registered education savings plans ("RESPs"), tax-free savings accounts ("TFSA") and RRIFs at a particular time if the Corporation qualifies as a MIC under the Tax Act at such particular time and if throughout the calendar year in which the particular time occurs, the Corporation does not hold as part of its property any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant under the particular plan or of any other person who does not deal at arm's length with that person. RRSPs, RESPs, TFSA and RRIFs will generally not be liable for tax in respect of any dividends received. Notwithstanding that the Common Shares will be qualified investments for a TFSA, a holder will be subject to a penalty tax if the Common Shares held in a TFSA are or become a "prohibited investment" under the Tax Act. The Common Shares generally will not be a "prohibited investment" unless the holder of the TFSA does not deal at arm's length with the Corporation, or the holder has a "significant interest" (within the meaning of the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act.

If the Corporation fails to qualify as a MIC at any time throughout a taxation year, shares of the Corporation may cease to be a qualified investment for RRSPs, RESPs and RRIFs. Where an RRSP, RESP or RRIF holds a non-qualified investment at the end of a month, the plan will be subject to a tax of 1% of the fair market value of the investment at the time it was acquired. Moreover, if an RRSP or RRIF holds a non-qualified investment at any time during a particular year, the RRSP or RRIF will be subject to tax under Part I of the Tax Act on income and capital gains attributable to the non-qualified investment. Where a TFSA holds a non-qualified investment, the TFSA will be subject to a tax of 50% of the fair market value of the investment at the time it became a non-qualified investment.

Tax Implications of the Investment Fund's Distribution Policy

Given the Corporation's intention to declare dividends monthly and the fact that the Common Shares are not expected to increase in value over the course of the year, the Corporation's distribution policy would have no particular impact on an investor who acquires Common Shares late in the year.

ORGANIZATION AND MANAGEMENT DETAILS OF THE INVESTMENT FUND

Officers and Directors of the Investment Fund

The following table sets out information about each director and executive officer of the Corporation as at June 30, 2009.

Name and Municipality of Residence	Position and Term of Office	Principal Occupation(s)
BOARD OF DIRECTORS		
Colleen Allison Sharbot Lake, Ontario	Chair since June 17, 2006 Director since October 26, 2004 Term expires June, 2011	Retired teacher; Director and President of Mortgage Investment Corporation of Eastern Ontario since 1996
Robert Barnes ⁽¹⁾ Burlington, Ontario	Director since December 10, 2005 Term expires June, 2012	General Manager, Robinson Solutions Inc. (buildings systems solution provider) since February 2008; Managing Director, Axis Database Marketing Inc. and Compliance Marketing Services, Inc. (integrated marketing and technology services) since 1997
William Calvert Huntsville, Ontario	Director since June 9, 2007 Term expires June, 2010	Retired senior municipal and provincial civil servant; consultant to various municipalities and provincial ministries
Kevin Corcoran ⁽¹⁾ Kingston, Ontario	Director since March 20, 2007 Term expires June, 2010	Co-owner of MCNS Financial Inc. (mortgage brokerage) since 1991
Eric Dinelle Kingston, Ontario	Director since March 20, 2007 Term expires June 2010	Senior Project Manager – Planning, Kingston General Hospital since 2003; Sales Manager and Estimator for Build All Contractors prior thereto
Margaret Kelk ⁽¹⁾ Portland, Ontario	Director since December 10, 2005 Term expires June 2011	Retired teacher, artist, owner and manager of farming and real property rental operations since the 1970s
EXECUTIVE OFFICERS OF THE CORPORATION		

Name and Municipality of Residence	Position and Term of Office	Principal Occupation(s)
Wayne Robinson Sharbot Lake, Ontario	Chief Executive Officer since December 11, 2004	Director and President, Pillar Financial Services Inc. (mortgage broker) since September 30, 1986; Secretary, Pillar Financial Services Inc. since November 6, 2003; Director and President, W.A. Robinson & Associates Ltd. (financial adviser, investment counsel and portfolio manager) since September 29, 1980
Kevin Cruickshank, CA Cloyne, Ontario	Chief Financial Officer since June 22, 2005	Chief Financial Officer of Pillar Financial Services Inc. and W.A. Robinson & Associates Ltd. since 2006; Partner in Seeds & Company LLP Chartered Accountants (public accounting practice) since 2008; Partner in The Loon's Call Campground & Cottage Resort from 2002 until present; Chief Financial Officer of the Hanley Group of Companies (quick food service operations, investment company) from 2000 to 2004.

Note:

(1) Member of the audit committee.

The board of directors consists of individuals who are independent from the Manager. Each director is appointed for a term of office of no less than two years and of no more than five years. At the third annual general meeting of the Corporation, which was held on June 9, 2007, the current directors were appointed to staggered terms varying from two years to four years in order to mitigate the risk of a complete turnover of the board of directors in any given year. From 2009 onward the term of directors elected or re-elected at an annual general meeting will be three years. It is expected that no more than three director positions will be up for election in any given year.

The Corporation's by-laws provide that a director, in order to qualify as such, must either hold Common Shares, acquire Common Shares within 10 days of his or her nomination or have held Common Shares in one of the two years preceding his or her nomination. The Articles of the Corporation provide for a minimum of five and a maximum of ten directors.

The Fund's directors other than the Chair are entitled to receive a yearly honorarium not exceeding \$2,500. The Chair of the Corporation is entitled to a yearly honorarium of \$6,500. Directors are also entitled to reimbursement of their out-of-pocket expenses incurred in the course of their duties.

Each director and officer of the Manager holds Common Shares. Collectively, the directors and executive officers of the Corporation held as at June 30, 2009, 15,389 Common Shares or approximately 1.74 % of all issued and outstanding Common Shares.

Role of the Board of Directors

The Board of Directors receives the Manager's investment recommendations in order to review and approve the making of mortgage loans by the Corporation. Currently, the approval of one of the Fund's directors is required prior to the Corporation granting a mortgage loan up to and including \$500,000. For a mortgage loan in an amount over \$500,000 and up to and including \$1,000,000, the Manager must obtain the approval of two of the Corporation's directors and for mortgage loans in excess of \$1,000,000, the Manager must obtain the approval of a quorum of the Corporation's directors. As part of such approval process, the directors are provided with a full underwriting report consisting of a thorough credit assessment of the prospective borrower and the proposed collateral, along with an appraisal prepared by a qualified independent appraiser and a Phase I environmental audit, where deemed necessary by the Administrator. The director or directors approving a mortgage transaction will review the Administrator's underwriting report in order to ensure that the transaction meets the Fund's investment objectives and complies with its policies.

The Board of Directors also serves as the Independent Review Committee for the Corporation (see "Organization and Management Details of the Investment Fund - Independent Review Committee").

Audit committee

Pursuant to the CBCA, the Corporation is required to have an audit committee comprised of three directors, a majority of whom are not officers or employees of the Corporation or any affiliate thereof. The Corporation's audit committee currently consists of Robert Barnes, Kevin Corcoran and Margaret Kelk. The Chair of the audit committee is Robert Barnes. The committee is responsible for, amongst other things, reviewing the financial statements of the Corporation, its management reports on fund performance and other continuous disclosure requirements, prior to their approval by the directors, where needed.

Administrator of the Investment Fund

Pillar Financial Services Inc. (the “**Administrator**”) was incorporated under the *Business Corporations Act* (Ontario) on September 17, 1986. The Administrator is a licensed mortgage broker and administrator. Its registered office is located at The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0. Mr. Wayne A. Robinson is the President, a director and the sole shareholder of the Administrator and Mr. Marcel Giroux is a director and Vice-President of the Administrator (for further details on these individuals, see “Organization and Management Details of the Investment Fund – Manager of the Fund – Officers and Directors of the Manager of the Fund”). Pillar Financial Services Inc. has for over twenty years been underwriting, brokering and administering mortgages on behalf of individual lenders or mortgage pools. It has, at the date hereof, 10 employees, three of which are also employed by the Manager.

The decision to underwrite a particular loan involves an analysis of both the prospective borrower and the proposed real estate collateral. The Administrator has put in place a procedures and policy manual, based upon the Canadian Institute of Mortgage Brokers and Lenders’ Consolidated Mortgage Best Practices, which allows it to consider mortgage lending opportunities with more flexibility than traditional lenders while still observing the “Four C’s” of lending (collateral, cash-flow, character and credit) which are adhered to by prudent and diligent lenders and also guarding against mortgage fraud.

The Administrator currently principally conducts business in the province of Ontario. Should the Corporation require it, or should the Administrator otherwise wish to expand its business to other jurisdictions, it will apply, if necessary, to become registered under applicable legislation to carry on business as a mortgage broker or equivalent in such other jurisdictions.

Duties and Services to be provided by the Administrator

In Ontario, mortgage brokers are regulated by the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (the “**MBLAA**”). The MBLAA not only regulates those who arrange, negotiate or trade in mortgages but also, for the first time, those who administer them. For instance, persons who take steps, on behalf of another person or entity, to enforce payment by a borrower under a mortgage are now required to be licensed.

Since neither the Corporation nor the Manager are licensed as mortgage brokers or administrators, they must therefore conduct their mortgage investment activities through a licensed mortgage broker such as the Administrator. The Corporation has therefore entered into an administration agreement with the Administrator pursuant to which the Administrator has agreed to service the Corporation's mortgage portfolio, including the sourcing and administration of mortgages.

Mortgage transactions for the Corporation will generally be sourced by the Administrator from other mortgage brokers. The Administrator has no exclusive arrangement with any particular mortgage broker for the origination of mortgages. The Administrator does not remunerate the mortgage broker who originated the loan. Rather, mortgage brokers are paid a commission by the borrower at the time of closing of a loan transaction. The Administrator also charges a commission to the borrower (see “Interests of Management and Others in Material Transactions”).

In concert with the Manager, the Administrator will review mortgage loan applications to ensure that they meet the Corporation's lending criteria and that adequate supporting documentation has been provided by a prospective borrower. Staff of the Administrator will conduct an inspection of the property to be granted as collateral and secure a third-party appraisal thereof. The Administrator will coordinate with legal counsel the registration of mortgages and, upon the payout thereof, their discharge.

In the event of a mortgagor's default, the Administrator is responsible for instructing legal counsel to take legal action against the mortgagor and, where such action includes enforcing against the mortgaged property, for retaining an independent appraiser to obtain a more recent valuation of the mortgaged property if required.

Details of the Administration Agreement

The initial Administration Agreement between the Corporation and the Administrator was signed on December 20, 2004 for a three-year term. The Administration Agreement was renewed for a further three-year term in December 2007. It was then amended and restated on June 21, 2008 in order to reflect the appointment of W.A. Robinson & Associates Ltd. as the manager of the Fund and amend its renewal provisions. As compensation for the services provided by the Administrator to the Corporation, the Administrator receives a monthly fee equal to 1/12th of 1% of the value of the Corporation. For further details, see "Material Contracts – Administration Agreement".

Manager of the Investment Fund

W.A. Robinson & Associates Ltd. was incorporated pursuant to the *Business Corporations Act* (Ontario) on September 29, 1980. The corporation changed its name to "W.A. Robinson & Associates Ltd." by articles of amendment dated January 28, 1986. The Manager is registered with the Ontario Securities Commission as a limited market dealer, investment counsel and portfolio manager and with the *Autorité des marchés financiers* as an adviser with an unrestricted practice. The head and registered office of the Manager is located at The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0. As at the date hereof the Manager has fourteen employees, three of which are also employed by the Administrator.

Duties and Services to be Provided by the Manager

The Manager is responsible for directing the affairs and managing the business of the Corporation and acting as transfer agent and registrar for the Common Shares. The Manager also retains responsibility for the management of the Corporation's portfolio, providing investment analysis and recommendations in conformance with the Corporation's investment policies and restrictions and making investment decisions, and for making brokerage arrangements.

Details of the Management Agreement

The Corporation and W.A. Robinson & Associates Ltd. are party to an Investment Advisory and Fund Management Agreement dated June 21, 2008 (the "**Management Agreement**"). Prior thereto, the parties had entered into an investment advisory agreement that was terminated on June 21, 2008

and replaced by the current Management Agreement to reflect the appointment of W.A. Robinson & Associates Ltd. as the manager of the Fund. As compensation for the services provided by the Manager to the Corporation, the Manager will receive a monthly fee equal to 1/12th of 1% of the value of the Corporation. For further details, see “Material Contracts – Investment Advisory and Fund Management Agreement”.

Officers and Directors of the Manager of the Investment Fund

Mr. Wayne A. Robinson is the President, a director, and the majority shareholder of the Manager. Mr. Robinson graduated in 1972 from Queen's University with a bachelor's degree in Science. From 1972 to 1978, Mr. Robinson was Executive Director of the North Frontenac Community Services Corporation. He then was Chief Executive Officer of Oconto Propane & Service Ltd., a gas services and wholesale distributor of petroleum products for the next six years. He sat on the board of directors of the Ontario Development Corporation, a Crown lending agency, from 1985 to 1991. Mr. Robinson has been working in the financial services industry since 1985. Mr. Robinson holds the following designations: CFA (Chartered Financial Analyst), CFP (Chartered Financial Planner), RFP (Registered Financial Planner) and CIM (Certified Investment Manager). He has been certified in real estate finance by the Real Estate Institute of Canada and is a member of the Canadian Institute of Mortgage Brokers.

Mr. Kevin Cruickshank, CA is the Chief Financial Officer of the Manager. Mr. Cruickshank graduated from Sir Wilfrid Laurier University with a Bachelor of Business Administration (Honours) with Distinction in 1990 and was admitted to the membership of the Institute of Chartered Accountants of Ontario in 1993. After having worked for five years as a Chartered Accountant with the firm of Wilkinson & Company LLP in Belleville, Ontario, Mr. Cruickshank spent the next five years as the Vice-President of Finance for the Cooney Transport Group of Companies where he oversaw the financial affairs of a group of nineteen companies involved in international trucking operations with a real estate network of seven terminals located in Ontario and Quebec. In 2000, Mr. Cruickshank was appointed Chief Financial Officer of the Hanley Group of Companies, also in Belleville, Ontario, where he oversaw the financial affairs of several companies involved in quick food service operations and managed an investment company. Since 2002, he has been a partner in The Loon's Call Campground & Cottage Resort, a seasonal resort operation located in Cloyne, Ontario. After leaving the Hanley Group of Companies in 2004, Mr. Cruickshank continued his accounting practice assisting clients with business planning and financial matters in addition to providing traditional accounting and taxation services. Mr. Cruickshank has served as the Chief Financial Officer for the Corporation since June 22, 2005. Mr. Cruickshank also serves as part-time Chief Financial Officer of the Administrator.

Mr. Marcel Giroux is a director of the Manager. He is a registered mortgage broker and has been actively involved in the administration of mortgages for 18 years. Mr. Giroux obtained a Bachelor of Arts Degree from the Université de Montréal. He holds teaching certificates in four disciplines and pursued a career in teaching and administration for 33 years before retiring in February of 1988. He has extensive construction experience, having been chairman of various boards which built an arena, two large library branches and one church. Over the last 25 years, he has spent 14 years on two local library boards, ten of which as chairman thereof. From December 1995 to June 2003, he was a member of the Southern Ontario Library Services Board. From January 1973 to December 1985, he served as Councillor, Deputy-Reeve and Reeve for Oso Township. Since October 1997, he has been Chair of the 911 Committee for North and Central Frontenac. Mr. Giroux was a member of the management committee of the mortgage pools which were the predecessors of the Corporation for 20 years between 1983 and 2003.

Mr. David W. Robinson has been a shareholder and director of the Manager since September 2005 and its Secretary since October 2005. Mr. Robinson graduated from the University of Ottawa in 2004 with a Bachelor of Commerce degree. After working as Controller for the Manager from February 2005 to August 2006, he entered St. Lawrence College in September 2006 and earned a diploma in General Carpentry. David is now working for the Manager in the capacity of Vice-President Operations with particular interest in risk management of the Fund's mortgage portfolio.

Mr. Matthew J. Robinson is a director and Vice-President Marketing and Sales of the Manager. Mr. Robinson is the eldest son of the President, Wayne A. Robinson and is named as the successor in the Manager's succession plan. Mr. Robinson received his Bachelor of Science degree from Queen's University in Kingston, Ontario, on June 1, 2000 with the majority of his electives taken in Commerce. In addition to his duties with the Manager, Matthew is also a principal and broker of Lake District Realty Corporation, a real estate firm serving the Land O' Lakes region in Eastern Ontario. He has been with Lake District Realty since 1997. Mr. Robinson is also a mortgage broker and director of the Administrator.

Portfolio Advisor

W.A. Robinson & Associates Ltd. has retained the role of portfolio advisor of the Corporation. For further information see "Manager of the Investment Fund".

The Manager offers financial planning and counselling services (including advising on mergers and acquisitions, tax and estate planning) to high net worth individuals and owners of privately-held corporations. The Manager also provides investment counsel and portfolio management services to both private clients and a private mortgage investment corporation (see "Risk Factors – Potential conflicts of interest"). The Manager has been retained by the Corporation to provide investment advisory services in respect of the selection of mortgages for the Corporation's portfolio.

Mr. Wayne A. Robinson is responsible for the portfolio advisory and management services provided by the Manager. He is the President, sole director and majority shareholder of the Manager. For details of his qualifications and experience, see "Organization and Management Details of the Investment Fund – Officers and Directors of the Manager of the Investment Fund".

Details of the Portfolio Advisory Agreement

The Corporation and the Manager entered into an agreement for the provision of portfolio management services (the “Portfolio Advisory Agreement”) on December 20, 2004 for a three-year term. The Portfolio Advisory Agreement was renewed in December 2007 for a further three years. The Portfolio Advisory Agreement was terminated on June 21, 2008. In order to reflect the appointment of W.A. Robinson & Associates Ltd. as the manager of the Fund, a new agreement (the “**Management Agreement**”) was entered into on June 21, 2008 which encompasses both W.A. Robinson & Associates Ltd.’s previous portfolio advisory role as well as its role as Fund manager. Pursuant to the Management Agreement, the Manager is responsible for the following portfolio services: (i) identifying, with the assistance of the Manager, mortgage investment opportunities; (ii) providing the Corporation's directors with information relating to proposed mortgage loans; and (iii) managing the Corporation's cash reserves. The Corporation pays the Manager a single fee for both its portfolio advisory services and general administrative services. See “Material Contracts – Investment Advisory and Fund Management Agreement”.

Conflicts of Interest

Conflicts of Interest of the Directors and Executive Officers of the Corporation

Each of the directors and officers of the Fund own Common Shares.

The potential for conflicts of interest between the Fund and its directors and executive officers is mitigated by tax rules and corporate law. In effect, in order to continue to qualify as a mortgage investment corporation under the Tax Act, the Corporation is prohibited from making a loan secured by a mortgage on a property in which any senior officer or director of the Corporation, the Administrator or the Manager, or any associate or affiliate of such individuals has an interest as mortgagor (see “Investment Restrictions”). For a further discussion of potential conflicts of interest of the Fund’s directors and officers, see “Interests of Management and Others in Material Transactions” and “Risk Factors – Potential conflicts of interest”.

The Chief Executive Officer of the Fund, Wayne A. Robinson, owns Common Shares and is also a shareholder, director and officer of the Manager and of the Administrator. Also, Kevin Cruickshank, in addition to being the Chief Financial Officer of the Corporation, owns Common Shares and is also an officer of the Manager and of the Administrator. See “Interests of Management and Others in Material Transactions” and “Risk Factors – Potential conflicts of interest”.

Conflicts of Interest of the Manager

The potential for conflicts of interests of the Manager is mitigated by Part XXI of the *Securities Act* (Ontario), which contains restrictions on the ability of portfolio managers such as the Manager from engaging in certain activities that present an opportunity for conflicts of interest. Pursuant to such restrictions, the Manager may not knowingly cause any investment portfolio managed by it to:

- (i) make an investment in any issuer in respect of which a “responsible person” or an associate of such person is an officer or a director, unless that specific fact is

disclosed to the client and a written consent of the Manager's client to the investment is obtained before the purchase;

- (ii) purchase or sell the securities of any issuer from or to the account of a responsible person, any associate of a responsible person or from or to the Manager's own account; or
- (iii) make a loan to a responsible person or an associate of a responsible person, or to the Manager itself.

The Manager will not recommend to the Corporation mortgages from the Manager's own inventory or from the inventory of an affiliate or associate of the Manager (such inventories are not in fact maintained). Rather, the Manager will be recommending mortgages which the Administrator sources from borrowers or their agents (i.e. other mortgage brokers).

Independent Review Committee

National Instrument 81-107 *Independent Review Committee for Investment Funds* (the "**National Instrument**") came into force on November 1, 2006. The National Instrument requires all investment funds which offer securities to the public such as the Fund to establish an independent review committee (the "**IRC**") to which the Manager must refer all conflict of interest matters for review or approval. National Instrument 81-107 also requires the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the IRC in carrying out its functions. According to the National Instrument, the IRC must be comprised of a minimum of three members who are independent of the Fund's manager. As every member of the Board of Directors is independent, the Board of Directors functions as the Corporation's IRC.

While the Board of Directors was appointed as the IRC on March 20, 2007, the IRC became operational pursuant to the National Instrument on November 1, 2007.

The IRC:

- (i) reviews and provides input on the Manager's written policies and procedures that deal with conflict of interest matters;
- (ii) reviews conflict of interest matters referred to it by the Manager and make recommendations to the Manager regarding whether the Manager's proposed actions in connection with the conflict of interest matter achieves a fair and reasonable result for the Fund;
- (iii) considers and, if deemed appropriate, approves the Manager's decision on a conflict of interest matter that the Manager refers to the IRC for approval; and
- (iv) performs such other duties as may be required of the IRC under applicable securities laws.

The IRC prepares a report of its activities no less frequently than once a year for the Corporation's shareholders which is available upon request at no cost by calling the Fund's Corporate Secretary toll-free at (877) 279-2116. The Fund pays all of the fees and expenses of the IRC relating to the Fund as part of the directors' honoraria and expenses (see "Organization And Management Details Of The Investment Fund - Directors and Executive Officers of the Fund").

Custodian

The custodian of the Corporation is Computershare Trust Company of Canada at 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1.

Auditor

The auditor of the Corporation is David Seeds, CA, Professional Corporation at 1110 Elizabeth Street, Sharbot Lake, Ontario, K0H 2P0.

Transfer Agent and Registrar

The Manager acts as the transfer agent and registrar for the Common Shares at The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario, K0H 2P0.

CALCULATION OF NET ASSET VALUE

Throughout the Offering, which is expected to continue until this prospectus lapses, the Corporation will be required from time to time to establish the value of the Common Shares in order to determine: a) the number of Common Shares to be issued in order to fulfill subscription requests by investors where a subscription is for a dollar amount rather than a set number of securities; b) the number of Common Shares to be issued to each investor pursuant to the Corporation's mandatory dividend re-investment plan; and c) the number of Common Shares to be repurchased by the Corporation to meet redemption requests.

The value of the Common Shares will be computed at the close of business on the last Business Day of each calendar month (the "**Valuation Date**"). Such value (the "**Book Value per Share**") will be equal to the outstanding principal value of the mortgages, net of any write-down for impairment, plus any accrued interest, pre-paid expenses, cash and other assets of the Fund, less liabilities, divided by the number of issued and outstanding Common Shares on the Valuation Date.

Valuation Policies and Procedures of the Investment Fund

Given the nature of the investments made by the Corporation, and its general objective of holding mortgages until the end of their term, the Corporation's revenues are expected to consist solely of interest income. The Corporation strives to maintain a Book Value per Share of \$30.00 by crediting shareholders every month with the net income of the Corporation. There is no guarantee however that the Corporation will be able to maintain a Book Value per Share of \$30.00. In calculating the Book Value per Share, the Corporation values its assets as described hereafter:

- Liquid assets, including cash on hand or on deposit, are valued at their full face value.
- Money market fund securities are valued at their net asset value on the Valuation Date as publicly reported, or if not publicly reported, as provided to the Manager by the manager of the money market fund. Should the Corporation make a direct investment in money market instruments, the purchase cost of the investment, together with amortized discounts and accrued interest receivable will be used.
- Mortgages are valued at their estimated fair value. The estimated fair value of mortgages is determined by discounting future cash flow at the Fund's prevailing rate of return on new mortgages of similar type, term, and credit risk. Where a mortgage loan is in default the calculation of discounted future cash flow takes into account the realizable value of the mortgage collateral net of any disposition costs such as sales commissions, appraisal and legal fees. The realizable value of the mortgage collateral securing a defaulted loan is determined from an independent appraisal obtained at the time of default or thereafter. Due to the short-term nature of the mortgages in the Fund, the estimated fair values of the mortgages have been historically equal to their amortized cost values.

Reporting of Net Asset Value

The Book Value per Share is made available monthly and may be obtained by any investor free of charge by contacting the Fund's Corporate Secretary toll-free at (877) 279-2116. The Book Value per Share is also disclosed in the financial statements of the Corporation which may also be obtained free of charge by contacting the Corporate Secretary toll-free at (877) 279-2116 or on the Internet at www.sedar.com.

ATTRIBUTES OF THE SECURITIES

Description of the Securities Distributed

Holders of Common Shares are entitled to one vote in respect of each whole share held on all matters to be voted upon at meetings of shareholders (see "Securityholder Matters"). Although voting rights normally belong to shareholders of record, the Trustee has agreed to delegate the exercise of these rights to the Manager (see "Material Contracts - Services Agreement"). Pursuant to applicable securities and corporate laws, the Manager will not vote any Common Shares held by the Trustee under the terms of the Frontenac RSP and Frontenac RIF. Rather, the Manager will seek voting instructions from beneficial shareholders or convene meetings of shareholders of Common Shares, as required.

Upon the liquidation, dissolution or winding-up of the Corporation, the holders of Common Shares are entitled to share rateably in the assets of the Corporation remaining available for distribution after payment of the Corporation's creditors.

Holders of Common Shares will be entitled to receive dividends as and when declared by the Board

of Directors. All such dividends will be automatically reinvested in Common Shares which are also qualified by this prospectus.

Holders of Common Shares have the right to redeem their securities only once a year for proceeds equal to the Book Value per Share determined for the month of November. The Corporation may, at its discretion, accept additional redemption requests in certain limited circumstances (see “Redemption of Securities”).

SECURITYHOLDER MATTERS

Meetings of Securityholders

Annual meetings of the shareholders must be held within 15 months from the last annual meeting of the shareholders but no later than six months after the end of the Corporation’s preceding financial year. The Corporation’s board of directors, chairman, chief executive officer or president may call a special meeting of the shareholders at any time by providing notice of the date, time and place of the meeting to each holder of Common Shares entitled to vote at the meeting, each director and the auditor as well as details on the business to be transacted at such meeting.

Quorum for a meeting of shareholders shall be the holders of at least 25% of the shares entitled to vote at a meeting of shareholders, whether present in person or represented by proxy. Unless a shareholder entitled to vote at a meeting of shareholders demands a vote to be taken by ballot, each question at a meeting of shareholders shall be decided by a show of hands. Upon a show of hands every voting person who is present shall have one vote. The only persons entitled to attend a meeting of shareholders shall be those entitled to vote thereat, the directors and auditor of the Corporation as well as any other person who is invited by the chair of the meeting or with the consent of the meeting.

Matters Requiring Securityholder Approval

The consent of the majority of the shareholders is required to elect the Board of Directors and appoint the auditor of the Corporation for the upcoming financial year. Furthermore, the CBCA provides that the following changes to the Corporation may only be made with the consent of at least 66⅔ of the holders of Common Shares at a meeting called to consider the matter:

- (i) change its name;
- (ii) change the province in which its registered office is situated;
- (iii) add, change or remove any restriction on the business or businesses that the Corporation may carry on;
- (iv) change any maximum number of shares that the Corporation is authorized to issue;
- (v) create new classes of shares;

- (vi) change the designation of all or any of its shares, and add, change or remove any rights, privileges, restrictions and conditions, including rights to accrued dividends, in respect of all or any of its shares, whether issued or unissued;
- (vii) change the shares of any class or series, whether issued or unissued, into a different number of shares of the same class or series or into the same or a different number of shares of other classes or series;
- (viii) divide a class of shares, whether issued or unissued, into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof;
- (ix) add, change or remove restrictions on the issue, transfer or ownership of shares;
- (x) add, change or remove any other provision that is permitted by the CBCA to be set out in the Corporation's articles;
- (xi) an amalgamation of the Corporation; or
- (xii) the liquidation or dissolution of the Corporation.

Reporting to Securityholders

The Corporation's shareholders receive financial statements on a semi-annual basis. Qualified Investors (other than those who hold Common Shares through the Frontenac RSP or Frontenac RIF) receive from the Manager a statement of holdings on a semi-annual basis. Qualified Investors who hold Common Shares through the Frontenac RSP or Frontenac RIF are sent quarterly statements by the Trustee. The Corporation also delivers to securityholders of record, once determined, in connection with an upcoming annual meeting of the shareholders (i) a notice of meeting, (ii) a management information circular (including audited annual financial statements and auditor's report thereon) and (iii) form of proxy. Copies of these documents are also posted and available for review by securityholders on the Internet at www.sedar.com.

Each securityholder also receives a letter from the Manager indicating the performance of the Fund during the previously completed financial year. The financial year of the Fund ends on the 31st day of December of each year. This letter is delivered in January of each year. Finally, the Corporation will deliver to securityholders any reports or documents to be delivered to securityholders under applicable securities and corporate law, including those reports relating to the IRC required to be delivered pursuant to National Instrument 81-107.

PLAN OF DISTRIBUTION

Generalities

The Corporation has not retained an underwriter to assist in the distribution of the Common Shares. Common Shares are offered to subscribers (“**Qualified Investors**”) who meet the following conditions:

- (i) the subscriber has established a discretionary or non-discretionary portfolio management account with the Manager;
- (ii) the subscriber has opened either an Frontenac RSP account or a Frontenac RIF account with the Trustee or a cash account with the Broker; and
- (iii) the Manager has, in its capacity as the subscriber's investment counsel, recommended to the subscriber that the Common Shares be purchased and the subscriber has accepted such recommendation and requested that the Manager implement it or, in the alternative, the Manager has exercised its discretion pursuant to the portfolio management mandate given to the Manager by the subscriber and determined that it is in the interest of the subscriber that the Common Shares be purchased.

Purchase of Common Shares for Qualified Investors will be effected by the Manager who will transmit a purchase order to the Broker for execution in accordance with applicable securities legislation (see “Material Contracts - Brokerage Agreement”).

Investors may have the ability to purchase Common Shares through their own securities dealer. Neither the Corporation nor the Manager expects to remunerate dealers acting on behalf of investors who are not Qualified Investors. Accordingly a dealer may charge a fee to such investors in connection with the acquisition or disposition of Common Shares.

Determination of price

Since the Fund's inception, the Corporation has maintained a fixed Book Value per Share of \$30.00. There is no guarantee however that this price will be maintained throughout the period of distribution or thereafter.

PRINCIPAL HOLDERS OF SECURITIES OF THE INVESTMENT FUND

The following table presents the shareholdings of the sole principal shareholder of the Corporation as at July 30, 2009.

Name and Address	Number of Common Shares Held	Type of Ownership	Percentage of Ownership
B2B Trust 130 Adelaide Street West Toronto, ON M5H 3P5	860,124.39	Of Record	97 % ⁽¹⁾

Note:

(1) B2B Trust is the holder of record for all Common Shares held under the Frontenac RSP and Frontenac RIF.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Mr. Wayne Robinson, the Fund's Chief Executive Officer, is also the principal shareholder of the Manager and the sole shareholder of the Administrator as well as an officer and director of both entities. The Administrator earns a fee of 1% per year based on the value of the Corporation's assets determined each month. Also, the Administrator generally charges mortgagors of the mortgages held by the Fund an underwriting fee of 1% of the amount of the loan on residential mortgage transactions and of 2% of the amount of the loan on commercial transactions. The Manager earns a management fee of 1% per year based on the value of the Corporation's assets determined each month.

The Manager earns an investment advisory fee that is directly charged to Qualified Investors who subscribe for shares hereunder. This fee is calculated as a percentage of a subscriber's assets under administration with the Manager. In order to avoid duplicative fees, the Manager's investment advisory fee is not applied to the portion of the Qualified Investor's assets invested in Common Shares (see "Fees and Expenses").

Other than the fees described above, in which Mr. Robinson has an indirect interest as a shareholder of the Administrator and Manager, none of the directors or executive officers of the Corporation, or any of their associates or affiliates, neither have had within a period of three years before the date of this prospectus or have at the date hereof any material interest, direct or indirect, in any transaction completed by the Corporation.

MATERIAL CONTRACTS

The following document and agreements may be considered material to a purchaser of Common Shares:

- (i) Articles of incorporation of the Fund;
- (ii) Investment Advisory and Fund Management Agreement;
- (iii) Amended and Restated Administration Agreement;
- (iv) Services Agreement;
- (v) Brokerage Agreement; and
- (vi) Custodian Agreement.

Copies of the foregoing may be inspected during regular business hours at the offices of the Corporation at The Simonett Building, 14216 Road 38, Sharbot Lake, Ontario.

Investment Advisory and Fund Management Agreement

The Corporation and W.A. Robinson & Associates Ltd. are party to an Investment Advisory and Fund Management Agreement dated June 21, 2008 (the “**Management Agreement**”), which replaced an investment advisory agreement dated December 20, 2004 (the “**Investment Advisory Agreement**”). Under the Investment Advisory Agreement, W.A. Robinson & Associates Ltd. was responsible for the management of the Corporation’s portfolio, providing investment analysis and recommendations in conformance with the Corporation’s investment policies and restrictions and making investment decisions (subject to the ability of the Corporation to veto any investment decision) and for making brokerage arrangements. The Investment Advisory Agreement was terminated at the time the Management Agreement was entered into. The portfolio advisory functions and responsibilities continue to be assumed by W.A. Robinson & Associates Ltd. under the Management Agreement and in addition, W.A. Robinson & Associates Ltd. assumes certain responsibilities previously assumed by the Administrator. As such, the Manager will be responsible for the overall management of the Corporation’s affairs, including the following tasks and duties:

- (i) acting as the Fund’s registrar and transfer agent;
- (ii) maintaining the books and records of the Corporation and performing administrative functions in connection with the issuance, registration and redemption of Common Shares; and
- (iii) supplying clerical, accounting and administrative staff and services as required for the efficient day-to-day functioning of the Corporation.

The Management Agreement has an initial term of five years and may be renewed for further five-year terms. Either party has the option of not renewing the agreement by providing no less than six months’ written notice to the other party. The Management Agreement terminates: (a) upon the Manager ceasing to carry on business, becoming bankrupt or insolvent, resolving to wind up or liquidate or if a receiver of any of its assets is appointed; (b) upon the Manager ceasing to hold the required registrations under applicable securities legislation, (c) if the Manager is found by a court of competent

jurisdiction to have been guilty of bad faith, wilful misfeasance, gross negligence or reckless disregard of its obligations and duties; or (d) where the Manager is in material breach of the Management Agreement, unless the breach is remedied within 30 days after notice of the breach has been given. The Management Agreement may not be assigned except by consent of both parties.

As compensation for the services provided by the Manager to the Corporation, the Manager will receive a monthly management fee equal to $1/12^{\text{th}}$ of 1% of the value of the Corporation.

Amended and Restated Administration Agreement

Pursuant to an agreement (the “**Administration Agreement**”) dated December 20, 2004, as amended and restated on June 21, 2008, between the Corporation and Pillar Financial Services Inc. (the “**Administrator**”), the Administrator has been appointed, on an exclusive basis, to source mortgages and administer the mortgage portfolio. In the performance of its obligations under the Administration Agreement, the Administrator is required to:

- (i) underwrite the mortgages for the account of the Corporation, including setting the interest rates thereof;
- (ii) collect payments from borrowers and discharges mortgages upon payout;
- (iii) ensure the safe custody of mortgage deeds; and
- (iv) monitor and, where appropriate, pursue arrears and institute and prosecute legal actions for the enforcement of the Corporation’s rights as a mortgagee.

The Administration Agreement has an initial term of three years and may be renewed for further three-year terms. Either party has the option of not renewing the agreement by providing no less than six months’ written notice to the other party. The Administration Agreement terminates: (a) upon the Administrator ceasing to carry on business, becoming bankrupt or insolvent, resolving to wind up or liquidate or if a receiver of any of its assets is appointed; (b) upon the Administrator ceasing to be registered as a mortgage broker and/or administrator; (c) if the Administrator is found by a court of competent jurisdiction to have been guilty of bad faith, wilful misfeasance, gross negligence or reckless disregard of its obligations and duties thereunder; or (d) if the Administrator is in material breach of the Administration Agreement unless the breach is remedied within 30 days after notice of the breach has been given. The Administration Agreement may not be assigned except by consent of both parties.

As compensation for the services provided by the Administrator to the Corporation, the Administrator will receive a monthly fee equal to $1/12^{\text{th}}$ of 1% of the value of the Corporation.

Services Agreement

The Manager and B2B Trust (the “**Trustee**”) are party to an agreement dated May 30, 2005 (the “**Services Agreement**”) pursuant to a which the Trustee arranges for the registration of investors’ retirement saving plans and retirement income funds in accordance with the provisions of the Tax Act and the terms of the Frontenac RSP and Frontenac RIF. The Trustee is also responsible for

making certain filings with the tax authorities in respect of the registered plans to which the Service Agreement relates and issuing tax slips and RRSP contribution receipts.

The Manager and the Trustee have agreed that the exercise of the voting rights attaching to the Common Shares will be delegated to the Manager. The Manager will in turn, as required by applicable law, obtain voting instructions from beneficial shareholders and/or convene meetings thereof, as may be required from time to time.

The Services Agreement is for a term of one year which will automatically be renewed from year to year unless terminated by either party upon three months notice, subject to the provisions of the declarations of trust for each registered plan.

The Trustee is entitled to receive a fee for its services, which fee, is paid by investors holding Common Shares through a registered plan (see “Fees and Expenses”).

Brokerage Agreement

On May 25, 2005 the Manager entered into a discount brokerage agreement (the “**Brokerage Agreement**”) with Laurentian Bank Securities Inc./Valeurs mobilières Banque Laurentienne Inc. (the “**Broker**”) pursuant to which the Broker has agreed to execute and settle securities transactions initiated by the Manager or on behalf of an investor, including purchases of Common Shares under this prospectus.

Pursuant to the terms of the Brokerage Agreement, the Manager has sole responsibility for ensuring the suitability of an investment for a particular client. The Manager will pay the Broker a fixed fee for each trade plus a fee for the opening of each account. These fees are an expense of the Manager and are therefore not borne by investors hereunder.

The Brokerage Agreement is for an indefinite term but may be terminated by either party upon 90 days’ notice.

Custodian Agreement

The Fund has entered into a custodian agreement (the “**Custodian Agreement**”) with Computershare Trust Company of Canada and the Manager dated as of July 29, 2008 to obtain custodial services for the Fund’s property. The Custodian Agreement requires the Custodian to hold the Fund’s property in safekeeping. The Custodian Agreement can be terminated by the Fund or the Custodian on 90 days’ prior written notice.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

None of the Corporation, the Manager or the Administrator is involved in any litigation or judicial or quasi-judicial proceedings, nor are such proceedings known to any of them to be contemplated.

EXPERTS

Legal matters in connection with the Offering will be passed upon by Gowling Lafleur Henderson LLP, Ottawa, Ontario. No partners or associates of Gowling Lafleur Henderson LLP own any Common Shares.

David Seeds, CA, Professional Corporation of Sharbot Lake, Ontario audited the Financial Statements of the Fund for the financial years ended December 31, 2008 and 2007 which are incorporated by reference in this prospectus. The auditor does not own any Common Shares.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in the Province of Ontario provides purchasers with the right to withdraw from an agreement to purchase securities. This right may only be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. The securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to the applicable provisions of the securities legislation of the province for the particulars of these rights or should consult with a legal adviser.

DOCUMENTS INCORPORATED BY REFERENCE

Additional information about the Fund is available in the following documents:

- (i) the most recently filed comparative annual financial statements of the Corporation, together with the accompanying report of the auditor, whether filed before or after the date of this prospectus;
- (ii) any interim financial statements of the Corporation, whether filed before or after the date of this prospectus;
- (iii) the most recently filed annual management report of fund performance of the Corporation, whether filed before or after the date of this prospectus; and
- (iv) any interim management report of fund performance of the Corporation, whether filed before or after the date of this prospectus.

These documents are incorporated by reference into the prospectus, which means that they legally form part of this document just as if they were printed as part of this document. Investors may obtain a copy of the documents, upon request and at no cost, by calling the Fund's Corporate Secretary toll-free at (877) 279-2116.

These documents and other information about the Corporation are available on the Internet at www.sedar.com.

AUDITOR'S CONSENT

I have read the prospectus dated August 14, 2009 relating to the sale and issue of common shares of Frontenac Mortgage Investment Corporation (the "**Corporation**"). I have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

I consent to the use, through incorporation by reference in the above-mentioned prospectus, of my report to the shareholders of the Corporation on the statements of net assets as at December 31, 2008 and 2007, and investment portfolio as at December 31, 2008 and the statements of operations, changes in net assets and cash flow for the years ended December 31, 2008 and 2007. My report is dated March 24, 2009 except for Note 11 which is as of July 30, 2009.

(Signed) David Seeds, for
David Seeds, CA, Professional Corporation
Authorized to practice public accounting by
The Institute of Chartered Accountants of Ontario

August 14, 2009
Sharbot Lake, Ontario

CERTIFICATE OF THE CORPORATION

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the Province of Ontario.

DATED: August 14, 2009

(Signed) Wayne A. Robinson
Wayne A. Robinson
Chief Executive Officer

(Signed) Kevin Cruickshank
Kevin Cruickshank
Chief Financial Officer

On behalf of the board of directors

(Signed) Colleen Allison
Colleen Allison
Director

(Signed) Margaret Kelk
Margaret Kelk
Director

CERTIFICATE OF THE MANAGER

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the Province of Ontario.

DATED: August 14, 2009

W.A. ROBINSON & ASSOCIATES LTD.

Per:

(Signed) Wayne A. Robinson
Wayne A. Robinson, President