

ROCKSPRING CAPITAL TEXAS REAL ESTATE TRUST II SECOND AMENDED AND RESTATED OFFERING MEMORANDUM

No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. The information disclosed on this page is a summary only. Purchasers should read the entire Offering Memorandum for full details about the Offering. This is a risky investment. See Item 8 - "Risk Factors".

Date: May 28, 2015

THE ISSUER

The Issuer: **ROCKSPRING CAPITAL TEXAS REAL ESTATE TRUST II**
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Edmonton, Alberta T5V 1A6
Tel: (780) 701-5133 Fax: (780) 488-4640
Email Address: canadasubscriptionagreement@rockspringcap.com

Currently Listed or Quoted: No. **These securities do not trade on any exchange or market.**

Reporting Issuer: No.

SEDAR Filer: No.

THE OFFERING

Capitalized terms used but not otherwise defined in the Summary below have the respective meanings ascribed to them under "Glossary of Terms" in this Offering Memorandum.

The Trust: The Trust is a private open-ended trust established under the laws of Alberta. The Trust is intended to carry on until December 31, 2024. An investment in the Trust should be considered long-term in nature.

Securities Offered: Trust units of the Trust ("Units").

Price per Security: \$0.90 per Unit until October 14, 2014.
\$0.95 per Unit between October 15, 2014 and January 29, 2015.
\$1.00 per Unit on or after January 30, 2015.

Maximum Offering: \$25,000,000 Maximum

Minimum Offering: \$500,000 Minimum. **Funds available under the Offering may not be sufficient to accomplish our proposed objectives.**

Minimum Subscription Amount: The minimum subscription for Units per each subscriber, up to and including October 14, 2014 is \$9,999 (11,110 Units). The minimum subscription for Units per each subscriber, between October 15, 2014 and January 29, 2015 is \$9,994 (10,520 Units). The minimum subscription for Units per each subscriber, on or after January 30, 2015 is \$10,000 (10,000 Units).

Payment Terms: The subscription price shall be paid by certified cheque or bank draft dated the date of the subscription in the aggregate amount of the applicable Unit Subscription Price for each Unit subscribed for made payable to the Trust or as AdminCo may otherwise direct.

Proposed Closing Date: The initial closing occurred on August 27, 2014. Subsequent closings have occurred on such other dates as determined by AdminCo. Additional subsequent closings may occur from time to time and at any time on such other dates as AdminCo determines. If certain conditions have not been satisfied or waived on or before the date selected by AdminCo (in its sole discretion), in respect of a closing, subscriptions and subscription funds will be returned to subscribers without interest or deduction.

Tax Consequences: The Units are intended to be able to be held by taxable and tax exempt investors, such as trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, deferred profit sharing plans and tax-free savings accounts. There are important tax consequences to investors purchasing Units. See Item 6 - "Canadian Federal Income Tax Considerations".

Selling Agent: The Trust reserves the right to pay finder's fees in an amount up to 10% of the gross proceeds of the Offering (up to 9% of which can be paid as sales commissions and up to 1% of which will be paid as a fee to the Exempt Market Dealers, investment dealers or other consultants/finders) provided that sales involving payment of finder's fees are conducted in accordance with NI 31-103. The Trust will pay unrelated parties who assist in the management of the selling agents under this Offering, an amount equal to 1.9% of the funds raised under this Offering. See Item 7 - See Item 7 - "Compensation Paid to Sellers and Finders".

Purpose: The Trust's purpose is to use the funds raised by it pursuant to the Offering to acquire LP Units in the Partnership and to provide loans to the U.S. Partnership with the objective of generating returns to Unitholders. The Trust intends to use 40% of the Available Funds of the Offering to acquire LP Units in the Partnership and 60% of the Available Funds of the Offering to provide the Loans to the U.S. Partnership in exchange for promissory notes. See Item 1.2 - "Use of Available Funds" and Item 2.2 - "Business of the Trust". Investments in the Trust should be considered long-term in nature. This is a "blind pool offering", meaning the interests in the Investments to be acquired utilizing the proceeds of this Offering have not yet been identified by any of the Trust, the Partnership or the U.S. Partnership and may not be identified by any of the Trust, the Partnership or the U.S. Partnership until the completion of the Offering.

Redemption Restrictions: The maximum aggregate redemption proceeds shall not exceed \$75,000 per calendar quarter in cash; provided that, in the Trustee's sole and unfettered discretion the Trust may pay in excess of \$75,000 of cash in a calendar quarter. Units redeemed within 12 months from the date of issuance shall be redeemable for 85% of the subscription price paid by for such Unit See Item 2.7 - "Material Agreements" - "Summary of the Declaration of Trust" - "Redemption of Units".

Resale Restrictions You will be restricted from selling your securities for an indefinite period. There will be no market for the Units. See Item 10 - "Resale Restrictions".

Purchaser's Rights You have two Business Days to cancel your Subscription Agreement to purchase Units. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel your Subscription Agreement. See Item 11 - "Purchasers' Rights".

TABLE OF CONTENTS

	Page
ITEM 1 -	USE OF AVAILABLE FUNDS 14
1.1	FUNDS 14
1.2	USE OF AVAILABLE FUNDS 14
1.3	REALLOCATION..... 16
1.4	WORKING CAPITAL DEFICIENCY 16
ITEM 2 -	BUSINESS OF THE TRUST 17
2.1	STRUCTURE 17
2.1.1	THE TRUST 18
2.1.2	THE PARTNERSHIP 19
2.1.3	THE U.S. PARTNERSHIP 21
2.2	OUR BUSINESS 23
2.3	DEVELOPMENT OF THE BUSINESS 34
2.4	LONG TERM OBJECTIVES 34
2.5	SHORT TERM OBJECTIVES AND HOW WE INTEND TO ACHIEVE THEM 36
2.6	INSUFFICIENT FUNDS 36
2.7	MATERIAL AGREEMENTS 37
ITEM 3 -	DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS 78
3.1	COMPENSATION AND SECURITIES HELD 78
3.1.1	THE TRUST 78
3.1.2	THE GENERAL PARTNER 79
3.1.3	THE U.S. GENERAL PARTNER 79
3.2	MANAGEMENT EXPERIENCE OF GENERAL PARTNER 80
3.3	MANAGEMENT EXPERIENCE OF U.S. GENERAL PARTNER 80
3.4	PENALTIES, SANCTIONS AND BANKRUPTCY 81
ITEM 4 -	CAPITAL STRUCTURE 82
4.1	TRUST'S CAPITAL 82
4.2	LONG-TERM DEBT 82
4.3	PRIOR SALES 83
ITEM 5 -	SECURITIES OFFERED 84
5.1	TERMS OF SECURITIES 84
5.2	SUBSCRIPTION PROCEDURE 86
ITEM 6 -	CANADIAN FEDERAL INCOME TAX CONSIDERATIONS 87
6.1	GENERAL 87
6.2	STATUS OF THE TRUST 88
6.3	TAXATION OF THE TRUST 88
6.4	TAXATION OF UNITHOLDERS 89
6.4.1	TRUST DISTRIBUTIONS 89
6.4.2	DISPOSITION OF UNITS 90
6.4.3	REDEMPTION OF UNITS 90
6.4.4	CAPITAL GAINS AND LOSSES 91

TABLE OF CONTENTS

(continued)

	Page
6.4.5 ALTERNATIVE MINIMUM TAX	91
6.5 QUALIFIED INVESTMENTS FOR DEFERRED PLANS	91
6.6 CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS.....	92
6.6.1 UNITED STATES FEDERAL INCOME TAXATION OF FOREIGN CORPORATIONS.....	92
6.6.2 UNITED STATES FEDERAL INCOME TAXATION OF THE TRUST	93
ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS	96
ITEM 8 - RISK FACTORS	96
ITEM 9 - REPORTING OBLIGATIONS	108
ITEM 10 - RESALE RESTRICTIONS	108
10.1 GENERAL.....	108
10.2 RESTRICTED PERIOD.....	109
10.3 MANITOBA RESALE RESTRICTIONS.....	109
ITEM 11 - PURCHASERS' RIGHTS.....	109
11.1 TWO DAY CANCELLATION RIGHT.....	109
11.2 STATUTORY RIGHTS OF ACTION IN THE EVENT OF A MISREPRESENTATION	109
ITEM 12 - FINANCIAL STATEMENTS.....	115
12.1 THE TRUST	116
12.2 THE PARTNERSHIP.....	117
12.3 THE GENERAL PARTNER.....	118
ITEM 13 - DATE AND CERTIFICATE.....	119

FORWARD-LOOKING STATEMENTS

Certain information regarding the Trust set forth in this Offering Memorandum, including the Trust's future plans and business, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "anticipate", "believe", "continue", "estimate", "expect", "intend", "plan", "potential", "predict", "project", "seek" or other similar words, or statements that certain events or conditions "may", "might", "could", "should" or "will" occur are intended to identify forward looking statements. Such statements represent AdminCo's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, business opportunities, future expenditures, plans for and results of business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the expectations reflected in the forward-looking statements are reasonable, future results, levels of activity, performance or achievement cannot be guaranteed since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Trust's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Trust.

Forward-looking statements included in this Offering Memorandum include, but are not limited to, statements with respect to: use of proceeds of the Offering; the business to be conducted by the Trust and the Partnership; the ability to make and the timing and payment of distributions; payment of fees to the Trustee; terms regarding payment of fees to dealers, advisors and finders; the Trust's and the Partnership's business objectives; treatment under governmental regulatory regimes and tax laws; financial and business prospects and financial outlook; and timing of dissolution of the Trust; possibility of extension of the dissolution date of the Trust; results of operations, the timing thereof and the methods of funding.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to the risks discussed under Item 8 - "Risk Factors" and other factors, many of which are beyond the control of the Trust and AdminCo. Readers are cautioned that the foregoing list of factors is not exhaustive.

The forward-looking statements contained in this Offering Memorandum are based on a number of assumptions, including those relating to:

- the Trust's business strategy and operations;
- the ability of the Trust to achieve or continue to achieve its business objectives;
- the Trust's expected financial performance, condition and ability to generate distributions;
- the Partnership, including its business strategy, operations, financial performance, condition and ability to generate distributions;
- the U.S. Partnership, including its business strategy, operations, financial performance, condition and ability to generate distributions and pay interest amount under the Promissory Note in a timely manner;
- factors and outcomes associated with the real estate sector in the State of Texas, including competition and competitive conditions;
- concentration of investments of the Trust in a single business (being the LP Units of the Partnership) operating in a single industry (being the real estate development business in the State of Texas) which result in the Trust's investments being less diversified than other investment funds;
- the possibility of the Trust being unable to acquire or dispose of illiquid Securities;
- possibility of substantial redemptions of Units;
- taxation of the Trust;

- the impact on the Trust of future changes in applicable legislation;
- application of legislation and regulations applicable to the Trust; and
- availability of and dependence upon certain key employees of the General Partner, the U.S. General Partner and the Manager.

Although the forward-looking statements contained in this Offering Memorandum are based upon assumptions believed to be reasonable, the Trust cannot assure investors that actual results will be consistent with these forward-looking statements.

The Trust has included the above summary of risks related to forward-looking information provided in this Offering Memorandum in order to provide Unitholders with a more complete perspective on the Trust's current and future operations and such information may not be appropriate for other purposes. The Trust's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Trust will derive therefrom. These forward-looking statements are made as of the date of this Offering Memorandum and the Trust disclaims any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable Securities laws.

GLOSSARY OF TERMS

The following terms and abbreviations used throughout this Offering Memorandum have the following meanings:

"AdminCo" or the **"Administrator"** means Rockspring Capital Texas Real Estate AdminCo II Inc., as administrator of the Trust under the Administration Agreement, or such other person properly appointed as administrator of the Trust pursuant to the Declaration of Trust;

"Administration Agreement" means the agreement, dated June 23, 2014, between AdminCo and the Trust, as amended, supplemented or amended and restated from time to time;

"Administration Fee" means the sum of \$500 a year to be paid by the Trust to AdminCo during the term of the Administration Agreement;

"Affiliate" shall have the meaning ascribed thereto in the Securities Act;

"Aggregate Contributed Capital" means the total amount of all Capital Contributions contributed by Limited Partners to the Partnership;

"Alternative Vehicle" shall have the meaning specified in Item 2.2 - "Our Business" - "The Partnership";

"Applicable Laws" means all applicable provisions of law, domestic or foreign, including the Securities Act;

"Approvals" means any directive, order, consent, exemption, waiver, consent order or consent decree of or from, or notice to, action by or filing with, any Governmental Authority;

"associate" shall have the meaning ascribed thereto in the Securities Act;

"Available Cash for Distribution" means, for any period, such portion of the cash in hand or in bank accounts of the U.S. Partnership or other property of the U.S. Partnership as, in the sole discretion of the U.S. General Partner, taking into account the U.S. Partnership Agreement and reasonable reserves, is available for distribution to the U.S. Partners after reasonable provision has been made for the current liabilities, obligations, distributions to pay income taxes and operating expenses of the Partnership (including without limitation amounts due to the U.S. General Partner or their Affiliates pursuant to section 7.04 of the U.S. Partnership Agreement) and reasonable reserves (as determined by the U.S. General Partner) have been established for U.S. Partnership operating expenses, obligations, distributions required to pay income taxes and liabilities;

"Available Funds" shall have the meaning specified in Item 1.1 - "Funds";

"Auditors" means such firm of chartered accountants as may be appointed as auditor or auditors of the Trust;

"Bridge Financing" means with respect to the Partnership's acquisition of an Investment, that portion of the Investment that the General Partner or an Affiliate of the General Partner provides (or causes to be provided by a third party) as interim financing in anticipation of a permanent investment by the Partnership in such Investment, and that the General Partner intends such interim financings to have stated terms of no longer than one year;

"Business Day" means a day which is not a Saturday, Sunday or statutory holiday in the City of Edmonton, in the Province of Alberta;

"Capital Contribution", with respect to any Limited Partner, means the amount of capital contributed by such Limited Partner to the Partnership in accordance with the Partnership Agreement;

"Carried Interest" means the incentive payment by the Partnership to the Manager. See Item 2.2 – "Our Business" - "The U.S. Partnership";

"CDS" means CDS Clearing and Depository Services Inc.;

"Code" means *Internal Revenue Code of 1968*, as amended from time to time;

"Counsel" means a law firm (who may be counsel to AdminCo) acceptable to the Trustee;

"Cumulative Preferred Return" means, with respect to a Limited Partner and at any time of determination, the sum of the Preferred Return earned by such Limited Partner under the terms of the Partnership Agreement prior to the date of such determination;

"Cumulative Preferred Return Deficiency" means, with respect to a Limited Partner and at any time of determination, an amount which equals the excess, if any, of (i) the Cumulative Preferred Return earned by such Limited Partner as of such date over (ii) the cumulative amount of cash distributed to such Limited Partners by the Partnership in respect of the payment of the Cumulative Preferred Return to a Limited Partner;

"CRA" means the Canada Revenue Agency;

"Declaration of Trust" means the Declaration of Trust dated June 23, 2014 by and between Olympia Trust Company (predecessor to Computershare Trust Company of Canada; current Trustee is Computershare Trust Company of Canada as successor), as Trustee, and Fred Munn, as the Initial

Unitholder and AdminCo, as Administrator, governing the business and affairs of the Trust as may be amended, supplemented and restated from time to time;

"Deferred Plan" means a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan, deferred profit sharing plan or tax-free savings account;

"Depreciation" means, for each U.S. Partnership Fiscal Year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the U.S. Book Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period (as a result of property contributions or adjustments to such values pursuant to section 5.04(d) of the U.S. Partnership Agreement), Depreciation shall be adjusted as necessary so as to be an amount which bears the same ratio to such beginning U.S. Book Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period is zero, Depreciation for such year or other period shall be determined with reference to such beginning U.S. Book Value using any reasonable method selected by the U.S. General Partner;

"discretion" means sole, absolute and unfettered discretion;

"Disposition" means, with respect to the U.S. Partnership, any sale, assignments, transfer, pledge, mortgage, granting of a security interest or other encumbrance or any other disposition of all or any portion of an U.S. Partnership Equity Interest whatsoever, whether voluntary or involuntary;

"Distributable Cash" means with respect to a particular period, the amount by which the Partnership's cash on hand or to be received in respect of that period (excluding any proceeds from any Financing) exceeds:

- (i) unpaid administration expenses of the Partnership;
- (ii) any amounts due and owing to the Manager with respect to the Management Fee or the Carried Interest;
- (iii) amounts required for the business and operations of the Partnership, including operating expenses and capital expenditures;
- (iv) amounts required in order to meet all debts, liabilities and obligations in respect of any Financing, including reserves to ensure compliance with agreements to which the Partnership is subject;
- (v) any amounts which the General Partner in its discretion determines is necessary to satisfy the Partnership's current and anticipated debts, liabilities and obligations and to comply with Applicable Laws; and
- (vi) any amounts required to pay United States Internal Revenue Service obligations;

"Distribution Payment Date" means the date on which AdminCo makes a distribution of Cash Flow of the Trust to the Unitholders;

"Distribution Period" means each quarterly period ending on March 31, June 30, September 30 and December 31, or such other periods as may be hereafter determined from time to time by AdminCo from and including the first day thereof and to and including the last day thereof;

"Distribution Record Date" means on or about the last Business Day of each Distribution Period, or, if that day is not a Business Day, the next following Business Day, or such other date determined from time to time by the Trustee; **"Exchangeable Security"** or **"Exchangeable Securities"** means a unit or units, a share or shares or other security or Securities which are convertible into or exchangeable for Unit(s) (directly or indirectly) without the payment by the holder of additional consideration therefor, whether or not issued by the Trust;

"Event of Withdrawal" means (a) the Disposition by a U.S. General Partner of all of its rights as a U.S. General Partner (b) the death of a U.S. General Partner that is a natural person, (c) the dissolution or termination of a U.S. General Partner that is not a natural person, (d) resignation or withdrawal of a U.S. General Partner, (e) the entry by a court of competent jurisdiction adjudicating a U.S. General Partner who is a natural person incompetent to manage the U.S. General Partner's person or property, or (f) the bankruptcy of a U.S. General Partner;

"Exempt Market Dealers" means a person or company registered as an exempt market dealer pursuant to NI 31-103;

"Extraordinary Resolution" means a resolution proposed to be passed as a special resolution at a meeting of Unitholders (including an adjourned meeting) duly convened for that purpose and held in accordance with the provisions of the Declaration of Trust and passed by more than $66\frac{2}{3}\%$ of the votes cast on such resolution by Unitholders represented in person or by proxy at the meeting;

"Fair Market Value" shall mean the fair market value of Partnership assets, and, when the reference so requires, of Investments, determined by the most recent, annual fair market appraisal conducted by an independent, third-party appraiser selected by the General Partner in its sole discretion (or, if the applicable property was acquired by the Partnership after the most recent annual appraisal prepared for the Partnership, then the appraised value shall be any appraisal thereof obtained by the General Partner);

"Financing" means any credit facility granted or extended to or for the benefit of, or investment by way of debt in, the Partnership whereby or pursuant to which money, credit or other financial accommodation has been or may be provided, made available or extended to the Partnership by way of borrowed money, the purchase of debt instruments or Securities, bankers acceptances, letters of credit, overdraft or other forms of credit and financial accommodation, and includes any and all trust deeds, indentures, mortgages, bonds or debentures (whether issued and delivered as security or sold to a purchaser), security agreements and other deeds, instruments or documents in respect thereof;

"Fiscal Year" means a fiscal year of the Trust (or portion thereof), which ends on December 31 in each calendar year, except in the case of a deemed year end on the dissolution of the Trust;

"Funding Agreement" means the agreement entered into between the Trust and the Partnership which provides that the Partnership will pay all costs, fees, Selling Commissions and expenses incurred by the Trust in connection with this Offering;

"General Partner" means Rockspring Capital Texas Real Estate II GP Inc. a corporation established under the laws of the Province of Alberta, or any successor or permitted assignee thereof;

"Governmental Authority" means (i) any nation, province, territory, state, county, city or other jurisdiction; (ii) any federal, provincial, territorial, state, local, municipal, foreign or other government; (iii) any governmental or quasi-Governmental Authority of any nature (including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental or quasi-governmental power); (iv) anybody exercising, or entitled or purporting to exercise, any administrative, executive, judicial, legislative, regulatory or taxing authority or power; or (v) any official of the foregoing;

"Gross Proceeds" means, at any time, the aggregate gross proceeds raised under the Offering;

"GST" means any applicable Canadian federal or provincial goods and services tax or harmonized sales tax;

"include", "including" and "includes" mean "include, without limitation", "including, without limitation" and "includes without limitation", respectively;

"Income of the Trust" means for any taxation year of the Trust shall be the net income for the year determined pursuant to the provisions of the Tax Act (other than subsection 104(6) and paragraph 82(1)(b) of the Tax Act) having regard to the provisions thereof which relate to the calculation of income of a trust, and taking into account such adjustments thereto as are determined by AdminCo in respect of dividends received from taxable Canadian corporations, amounts paid or payable by the Trust to Unitholders and such other amounts as may be determined in the discretion of AdminCo; provided, however, that capital gains and capital losses shall be excluded from the computation of net income;

"Initial Closing Date" shall mean the date on which the General Partner issues an LP Unit to any party other than the initial Limited Partner of the Partnership;

"Investments" shall have the meaning specified in Item 2.2 – "Our Business" - "The U.S. Partnership";

"Investment Administration Expense" means the fees paid by the Partnership on behalf of the Trust to unrelated parties who assist in the management of the selling agents under this Offering, in an amount equal to 1.9% of the Gross Proceeds;

"Investment Period" shall mean the period beginning on the Initial Closing Date and ending on the third anniversary of the Initial Closing Date, unless the Partnership is terminated earlier on the terms set forth in the Partnership Agreement;

"Initial Unitholder" means Fred Munn, an individual resident in the City of Edmonton, in the Province of Alberta, as the initial holder of Units;

"Issuance Anniversary" means the day that is 12 months after the date of issuance of a Unit Certificate;

"Joint Venture Agreement" means the joint venture agreement, dated May 26, 2015, between the U.S. Partnership, Rockspring Capital Texas Real Estate Momentum Fund, L.P., RCC #1, L.P. and Rockspring Capital Texas Real Estate Fund, US, L.P., as may be amended, supplemented or restated from time to time;

"JV Partners" means the U.S. Partnership, Rockspring Capital Texas Real Estate Momentum Fund, L.P., RCC #1, L.P. and Rockspring Capital Texas Real Estate Fund, US, L.P., and **"JV Partner"** means any one of them;

"JV Partnership" means the 10.58 Military, J.V., a Texas joint venture between the U.S. Partnership, Rockspring Capital Texas Real Estate Momentum Fund, L.P., RCC #1, L.P. and Rockspring Capital Texas Real Estate Fund, US, L.P., formed pursuant to the Joint Venture Agreement;

"JV Percentage Interest" means the interest of each JV Partner in the JV Partnership;

"JV Property" shall have the meaning specified in Item 2.7- "Material Agreements" - "Summary of the Joint Venture Agreement".

"Limited Partner" means a limited partner of the Partnership;

"Loans" shall have the meaning specified in Item 1.2 - "Use of Available Funds";

"LP Unit" means a limited partnership unit of beneficial interest in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

"McAlister" means James McAlister IV, an individual residing in the State of Texas, in the United States of America;

"Manager" means Rockspring Capital, L.L.C., a limited liability corporation registered under the laws of the State of Texas;

"Management Agreement" means the partnership management agreement dated as of December 2, 2014 between the Manager and the U.S. Partnership, as may be amended, supplemented or restated from time to time. See Item 2.2 - "Our Business" - "The Partnership";

"Management Fee" shall have the meaning specified in Item 2.2 - "Our Business" - "The U.S. Partnership";

"Management Services" shall have the meaning specified in Item 2.2 - "Our Business" - "The U.S. Partnership";

"Maximum Offering" means the maximum offering hereunder of an equivalent number of Units representing gross proceeds of \$25,000,000;

"Minimum Offering" means the minimum offering hereunder of an equivalent number of Units representing gross proceeds of \$500,000;

"Minimum Subscription Amount" means the minimum subscription for Units per subscriber under the Offering, which shall be as follows: \$9,999 (11,110 Units) up to and including October 14, 2014; \$9,994 (10,520 Units), between October 15, 2014 and January 29, 2015; and \$10,000 (10,000 Units) on or after January 30, 2015;

"Net Realized Capital Gains" of the Trust for any taxation year of the Trust shall be determined as the amount, if any, by which the aggregate of the capital gains of the Trust for the year exceeds:

- (a) the aggregate of the capital losses of the Trust for the year;
- (b) any capital gains which are realized by the Trust as a result of a redemption of Units pursuant to the Declaration of Trust; and

- (c) the amount determined by AdminCo in respect of any net capital losses for prior taxation years which the Trust is permitted by the Tax Act to deduct in computing the taxable income of the Trust for the year;

"NI 31-103" means National Instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

"Non-Resident" means a Person who is not a resident of Canada and a partnership that is not a Canadian partnership, for purposes of the Tax Act;

"Offering" means the private placement of the Units by the Trust under this Offering Memorandum;

"Offering Memorandum" means this second amended and restated offering memorandum of the Trust as the same may be amended, supplemented or replaced from time to time;

"Ordinary Resolution of the Unitholders" means, subject to the Declaration of Trust (and further, subject to compliance with the requirements of any Applicable Laws that prohibit specified Unitholders from voting on resolutions in specified circumstances), a resolution proposed to be passed at a meeting of Unitholders (including an adjourned meeting) duly convened and held in accordance with the provisions of article 12 of the Declaration of Trust and passed by more than 50% of the votes cast on such resolution by Unitholders represented in person or by proxy at the meeting

"Partners" means, collectively, the General Partner and the Limited Partners;

"Partnership" means Rockspring Capital Texas Real Estate II LP, a limited partnership established under the laws of the Province of Alberta, or any successor or permitted assignee thereof;

"Partnership Act" means the *Partnership Act* (Alberta) as amended and in force from time to time;

"Partnership Agreement" means the limited partnership agreement dated June 23, 2014 respecting the Partnership, between Rockspring Capital Texas Real Estate GP II Inc. as general partner and Fred Munn as the initial limited partner;

"Permitted Investments" means all property, assets and rights which may be held from time to time by a "mutual fund trust" under the provisions of subsection 132(6) of the Tax Act, including without limitation:

- (a) the initial contribution made to the Trust by the Initial Unitholder;
- (b) all funds realized from the sale of Units;
- (c) Securities in the capital of corporations and interests in limited partnerships or trusts, including without limitation the Partnership;
- (d) debt or debt instruments issued by any issuer;
- (e) rights in and to any real property, provided it is capital property;
- (f) any proceeds of disposition of any of the foregoing property; and
- (g) all income, interest, profit, gains and accretions and additional rights arising from or accruing to such foregoing property or such proceeds of disposition;

"Person" means any individual, company, corporation, limited partnership, general partnership, firm, joint venture, syndicate, trust, joint stock company, limited liability company, association, bank, pension fund, business trust or other organization, whether or not a legal entity, and any government agency or political subdivision thereof or any other form of entity or organization;

"Preferred Return" shall mean with respect to a Limited Partner and with respect to those periods during the term of the Partnership that the Limited Partner's Capital Contribution is outstanding, an amount equal to six percent (6%) per annum, compounded annually, of such Limited Partner's Capital Contribution from the first day of the month immediately following the month in which such Capital Contribution is made until the date such Limited Partner's Capital Contribution has been returned through distributions of Distributable Cash made by the Partnership the Limited Partner. The Preferred Return shall be calculated on the basis of a year of 365 days and the actual number of days (including the first day, but excluding the last day) occurring in the period for which the Preferred Return is being calculated;

"Promissory Note" means one or more demand promissory notes to be issued by the U.S. Partnership to the Trust to evidence the Loan, with each promissory note having a 6% compounding interest (or such commercially reasonable interest rate as determined by AdminCo from time to time);

"Proportionate Share" of any amount at any time, means a fraction equal to the number of LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Units at that time;

"Proposed Amendments" means all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof;

"pro rata share" of any particular amount in respect of a Unitholder at any time shall be the product obtained by multiplying the number of Units that are outstanding and owned by that Unitholder at such time by the amount obtained when the particular amount is divided by the total number of all Units that are issued and outstanding at that time;

"Redemption Notes" shall have the meaning specified in Item 2.7 – "Material Agreement" – "The Trust" – "Summary of the Declaration of Trust" – "*In Specie* Redemption";

"Redemption Price" shall have the meaning specified in Item 2.7 - "Material Agreement" - "The Trust"- "Summary of the Declaration of Trust" - "Cash Redemption";

"Required U.S. Partnership Equity" shall mean, with respect to any referenced group of U.S. Partners (as applicable), a combination of any such U.S. Partners who, in the aggregate, own more than 50 percent of the U.S. Partnership Equity Interests owned by all of such referenced group of U.S. Partners;

"Restricted Plans" shall have the meaning specified in Item 6.1 – "Canadian Federal Income Tax Considerations" – "General";

"Rockspring Funds" shall mean, collectively, the following funds, which were formed and/or are managed by an Affiliate of the General Partner: (i) JM Texas Land Fund No. 1, L.P., which has utilized 100% of its committed capital in connection with the purchase of real estate in Harris County Texas and adjacent counties, (ii) JM Texas Land Fund No. 2, L.P., which has utilized 100% of its committed capital in connection with the purchase of real estate in Harris County Texas and adjacent counties, (iii) JM Texas Land Fund No. 3, L.P., which has utilized 100% of its committed capital in connection with the purchase of real estate in Harris County Texas and adjacent counties, (iv) JM Texas Land Fund No. 4, L.P., which has utilized 100% of its committed capital in connection with the purchase of real estate in

Harris County Texas and adjacent counties, (v) JM Texas Land Fund No. 5, L.P., which has utilized 100% of its committed capital in connection with purchase of real estate in Harris County Texas and adjacent counties; (vi) Texas Land Fund No. 6, L.P., which has utilized 100% of its committed capital in connection with purchase of real estate in Harris County Texas and adjacent counties; (vii) Opportunity Land Fund No. 7, L.P., which utilized 100% of its committed capital in the connection with the purchase of real estate in Texas; (viii) Rockspring Capital Growth and Income Fund L.P. which utilized 60% of its committed capital in the connection with the purchase of real estate in Texas, (ix) Rockspring Capital Texas Real Estate Momentum Fund LP, and (x) Rockspring Capital Texas Real Estate Trust; (xi) Rockspring Capital Texas Real Estate Fund, LP, together with any successor funds to such funds described in subparts (i)-(xi) above, and together with any additional, subsequently created funds which are sponsored or managed by McAlister or any Affiliates thereof;

"Rockspring Parties" means the General Partner, any Affiliates and subcontractors of the General Partner, AdminCo, and any directors, officers, employees and individual shareholders of the foregoing, McAlister and the **"Rockspring Funds"** and **"Rockspring Party"** means any one of them;

"Securities" means bonds, debentures, notes or other evidence or instruments of indebtedness, shares, stocks, options, warrants, special warrants, installment receipts, subscription receipts, rights, subscriptions, partnership interests, units or other evidence of title to or interest in the capital, assets, property, profits, earnings or royalties, of any Person;

"Securities Act" means the *Securities Act* (Alberta), as amended from time to time, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder;

"Selling Commissions" means the commissions of up to 10% of the Gross Proceeds from the sale of the Units pursuant to this Offering payable to parties who sell the Units and are in compliance with applicable Securities laws. See Item 7 - "Compensation Paid to Sellers and Finders";

"Special Resolution" means:

- (a) a resolution approved through the votes cast in person or by proxy at a duly constituted meeting of Limited Partners or at any adjournment thereof called in accordance with this Agreement and representing 66⅔% or more of the votes attaching to the LP Units cast in person or by proxy in accordance with section 10.9 of the Partnership Agreement; or
- (b) a written resolution in one or more counterparts signed by Limited Partners holding in the aggregate 66⅔% or more of the votes attaching to the LP Units in accordance with section 10.9 of the Partnership Agreement;

"Subscriber" means a Person who submits a completed and executed Subscription Agreement and related subscription funds to AdminCo, in accordance with the Subscription Agreement;

"Subscription Agreement" means the subscription agreement entered into between an investor and the Trust to subscribe for Units;

"subsidiary" shall have the meaning ascribed thereto in the Securities Act;

"Tax Act" means the *Income Tax Act* (Canada) and the regulation thereunder, as amended from time to time;

"TBOC" means the Texas Business Organizations Code as adopted and from time to time amended by the State of Texas

"Treasury Regulations" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Transfer Agent" means any such Person who is the Transfer Agent of the Trust at such time, being Computershare Trust Company of Canada as at the date hereof;

"Trust" means Rockspring Capital Texas Real Estate Trust II, a trust constituted by the Declaration of Trust, as the same may be amended, supplemented or restated from time to time;

"Trust Preferred Return" shall mean with an amount equal to six percent (6%) per annum, compounded annually, of the Gross Proceeds, from the first day of the month immediately following the month in which the Units were issued to the holders of Units under the Offering until the date that the U.S. Partnership has received an amount equal to the Gross Proceeds from the proceeds of the U.S. Partnership Investment;

"Trust Fund", at any time, shall mean the Permitted Investments that are at such time held by the Trustee for the benefit of the Unitholders and for the purposes of the Trust under the Declaration of Trust;

"Trustee" means any such Person who is a trustee of the Trust at such time, being Computershare Trust Company of Canada as at the date hereof, as successor to Olympia Trust Company;

"Unit" means a trust unit of the Trust which represents an interest in the Trust as provided for in the Declaration of Trust and has the rights, privileges, restrictions and conditions set forth in the Declaration of Trust and shall not include fractional Units;

"Unit Certificate" means a certificate, in the form approved by the Trustee, evidencing one or more Units, issued and certified in accordance with the provisions of the Declaration of Trust;

"Unitholders" means at any time the Persons who are the holders of record at that time of one or more Units, as shown on the registers of such holders maintained by the Transfer Agent on behalf of the Trust;

"Unit Subscription Price" means the subscription price for a Unit paid for by a subscriber to this Offering. See Item 5.2 - "Subscription Procedure";

"U.S. Book Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except (a) the initial U.S. Book Value of any asset contributed by a U.S. Partner to the U.S. Partnership shall be the agreed fair market value of such asset, as determined by the U.S. General Partner; (b) the U.S. Book Value of all U.S. Partnership assets shall be adjusted in the event of a revaluation as provided in section 5.04(d); (c) the U.S. Book Value of any U.S. Partnership asset distributed to any U.S. Partner shall be the fair market value of such asset on the date of distribution as determined by the U.S. General Partner; and (d) such U.S. Book Value shall be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing U.S. Profits and U.S. Losses;

"U.S. Capital Account" means, with respect to any U.S. Partner, the account maintained for such U.S. Partner in a manner which the U.S. General Partner determines is in accordance with Treasury Regulations section 1.704 1(b)(2)(iv) and section 5.04 of the U.S. Partnership Agreement;

"U.S. Capital Contribution" means, with respect to any U.S. Partner, the amount of money and fair market or agreed value of property (as determined pursuant to the definition of "U.S. Book Value") contributed to the U.S. Partnership or agreed to be contributed by such U.S. Partner pursuant to article V of the U.S. Partnership Agreement;

"U.S. Partnership Equity Interest" means the entire equity ownership of a U.S. Partner in the U.S. Partnership at any given time, including, without limitation, the right of such U.S. Partner to any and all benefits, all allocations and distributions to which a U.S. Partner may be entitled as provided in the U.S. Partnership Agreement and under the TBOC, together with the obligations of such U.S. Partner to comply with all of the terms and provisions of the U.S. Partnership Agreement and the TBOC. The initial U.S. Partnership Equity Interest of each U.S. Partner is set forth on Exhibit "A" of the U.S. Partnership Agreement;

"U.S. General Partner" means RCC #2 GP, L.L.C., a Texas limited liability company, or any successor or permitted assignee thereof;

"U.S. Limited Partner" means the Partnership and its successor or permitted assigns, and any Person admitted to the U.S. Partnership from time to time as a Limited Partner;

"U.S. Partners" means, collectively, the U.S. General Partner and the limited partners of the U.S. Partnership, being as of the date hereof, the Partnership;

"U.S. Partnership" means RCC #2, L.P., a limited partnership established under the laws of the State of Texas, or any successor or permitted assignee thereof;

"U.S. Partnership Agreement" means the limited partnership agreement dated as of December 2, 2014 respecting the U.S. Partnership, between U.S. General Partner, as general partner and Partnership as the limited partner;

"U.S. Partnership Fiscal Year" means the fiscal year of the U.S. Partnership which shall end on December 31 of each year;

"U.S. Profits" mean and **"U.S. Losses"** mean, for each U.S. Partnership Fiscal Year or other period, an amount equal to the U.S. Partnership's taxable income or loss for such year or period, determined in accordance with Code section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

- (a) any income of the U.S. Partnership that is exempt from federal income tax and not otherwise taken into account in computing U.S. Profits or U.S. Losses pursuant to this definition shall be added to such taxable income or loss;
- (b) any expenditures of the U.S. Partnership described in Code section 705(a)(2)(B) or treated as Code section 705(a)(2)(B) expenditures pursuant to Treasury Regulations section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing U.S. Profits or U.S. Losses pursuant to this definition, shall be subtracted from such taxable income or loss;
- (c) gain or loss resulting from any disposition of U.S. Partnership property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the U.S. Book Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from such U.S. Book Value;

- (d) in lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year or other period, computed in accordance with the definition of "Depreciation" herein; and
- (e) Notwithstanding any other provision of this definition, any items which are specially allocated pursuant to sections 9.01(b)(ii), (iii), (iv), (v) and (vi) or section 9.01(e) of the U.S. Partnership Agreement shall not be taken into account in computing U.S. Profits or U.S. Losses.

"\$" means Canadian dollars unless otherwise specified.

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 FUNDS

The following table discloses the estimated available funds (the "**Available Funds**") of the Offering:

		Assuming Minimum Offering	Assuming Maximum Offering
A	Amount to be raised by issuance of this Offering	\$500,000	\$25,000,000
B	Selling Commissions	\$59,500 ⁽¹⁾	2,975,000 ⁽¹⁾
C	Estimated Offering costs	\$75,000 ⁽¹⁾	75,000 ⁽¹⁾
D	Available Funds: $D = A - (B + C)$	\$365,500	\$21,950,000
E	Additional sources of funding required	Nil	Nil
F	Working Capital Deficiency	Nil	Nil
G	Total: $G = D + E - F$	\$365,500	\$21,950,000

Note:

- (1) All expenses, fees and commissions related to the Offering will be borne by the Partnership rather than the Trust pursuant to the terms of the Funding Agreement.

1.2 USE OF AVAILABLE FUNDS

The proceeds from the issue of the Units will be paid to the Trust, deposited in its bank account and administered on behalf of the Trust by AdminCo. AdminCo will either retain the funds in a treasury account yielding interest or may invest that portion of the funds of the Trust not yet expended from time to time in interest-bearing accounts in Canadian chartered banks, in debt Securities of a Canadian federal, provincial or municipal government or in money market funds selected by AdminCo in its sole discretion. AdminCo may choose to invest a portion of the funds of the Trust not yet expended from time to time in highly liquid investments such as foreign exchange, short term preferred securities, or other liquid investments in its sole discretion.

40% of the Available Funds will be used to acquire LP Units in the Partnership, which will use such proceeds, less administrative expenses borne by the Partnership, to establish the U.S. Partnership and make further U.S. Capital Contributions in the U.S. Partnership.

60% of the Available Funds will be used to provide loans to the U.S. Partnership which will be evidenced by the Promissory Note(s) (the "**Loans**"). The U.S. Partnership will use the Loans, once advanced, to acquire real estate in the state of Texas and make other acquisitions and investments through one or more Alternative Vehicles. The Trust intends to retain the available funds to be used to provide the Loans as set out above until the U.S. Partnership has identified the Investments. The Promissory Notes will be on demand notes, shall bear a 6% compounding interest (or such commercially reasonable interest rate as determined by AdminCo) and shall be pre-payable at any time by the U.S. Partnership without any pre-payment penalty at any time.

This is a "blind pool offering", meaning the interests in the Investments to be acquired utilizing the proceeds of this Offering have not yet been identified by any of the Trust, the Partnership or the U.S. Partnership and may not be identified by any of the Trust, the Partnership or the U.S. Partnership until the completion of the Offering.

The number of LP Units to be acquired by the Trust will be contingent on the amount of funds raised pursuant to this Offering. Investments in the Trust should be considered long-term in nature. See Item 2.2 - "Business of the Trust".

The following table sets out the proposed use of Available Funds by the Trust:

Description of intended use of available funds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
Acquire LP Units from the Partnership	\$146,200	\$8,780,000
Provide Loans to the U.S. Partnership ⁽²⁾	\$219,300	\$13,170,000
All other costs and expenses relating to the Trust's activities and business	Nil ⁽¹⁾	Nil ⁽¹⁾
Total	\$365,500	\$21,950,000

Notes:

- (1) Pursuant to the Funding Agreement, all fees, costs and expenses relating to the Trust's activities and business will be borne by the Partnership rather than the Trust, including fees payable to the Trustee and AdminCo.
- (2) The Trust intends to provide the Loans to the U.S. Partnership once the U.S. Partnership has identified the Investments.

The following table sets out the proposed use of Available Funds by the Partnership and the US Partnership, as the case may be, over the ensuing 12 months from the date of this Offering Memorandum to:

Description of intended use of available funds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
Pay the estimated costs associated with this Offering	\$75,000	\$75,000
Pay for Selling Commissions associated with this Offering together with the Investment Administration Expense ⁽¹⁾	\$59,500	\$2,975,000
Pay the Management Fee to the Manager ⁽²⁾	\$9,250	\$462,500
Pay the Administration Fee to AdminCo ⁽³⁾	\$500	\$500
Working Capital for the acquisition of real estate assets ⁽⁴⁾	\$355,750 ⁽⁵⁾	\$21,487,000 ⁽⁵⁾
Total	\$500,000	\$25,000,000

Notes:

- (1) See Item 7 - "Compensation Paid to Sellers and Finders".
- (2) See Item 2.7 - The payment of the Management Fee and the Carried Interest payments will be paid by the U.S. Partnership to the Manager.
- (3) See Item 2.7 - "Material Agreements" - "Summary of the Administration Agreement". The Trust shall be responsible for the ongoing payment of the Administration Fee to AdminCo.
- (4) In the conduct of its business the Partnership estimates that it will incur expenses relating to investors relations, marketing, director's compensation, Trustee compensation, accounting, audit, Exempt Market Dealer due diligence and administration fees, office rental, insurance, legal and travel expenses (collectively "**operating and administration expenses**"), all of which will be paid from funds raised from this Offering until such time as the U.S. Partnership receives a positive return from the disposition of Investments acquired by it. The U.S. Partnership estimates that the Maximum Offering Amount is raised and the U.S. Partnership fully deploys the maximum amount of working capital in the acquisition of Investments, that these expenses will total approximately \$2,300,000. The total amount of administration and operating costs that will be incurred by the U.S. Partnership,

the Partnership and the Trust are dependent upon: (i) the funds raised under this Offering; (ii) the number and nature of Investments acquired by the U.S. Partnership; and (iii) external factors which cannot be anticipated or controlled by the U.S. Partnership, the Partnership or the Trust. As a result the U.S. Partnership, the Partnership and the Trust are unable to accurately estimate these costs at this time.

1.3 REALLOCATION

THE TRUST

The Trust intends to spend the Available Funds as stated above. The Trust will re-allocate funds only for sound business reasons and in accordance with the Declaration of Trust.

THE PARTNERSHIP

The Partnership intends to spend the Available Funds as stated above. The Partnership will re-allocate funds only for sound business reasons and in accordance with the Partnership Agreement.

THE U.S. PARTNERSHIP

The U.S. Partnership intends to spend the Available Funds as stated above. The U.S. Partnership will re-allocate funds only for sound business reasons and in accordance with the U.S. Partnership Agreement.

1.4 WORKING CAPITAL DEFICIENCY

As at the date of this Offering Memorandum, the Trust does not have a working capital deficiency.

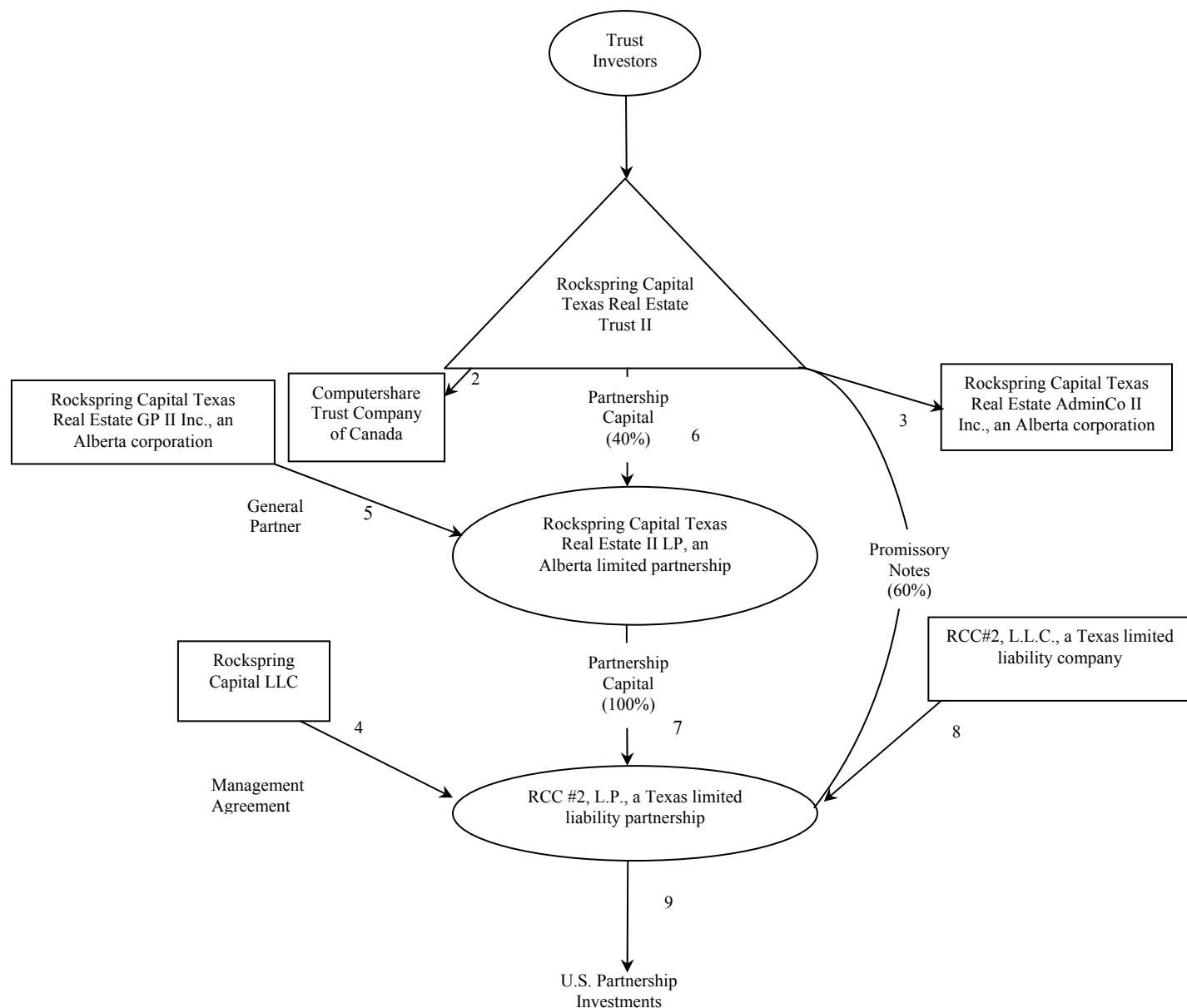
As at the date of this Offering Memorandum, the Partnership does not have a working capital deficiency.

As at the date of this Offering Memorandum, the U.S. Partnership does not have a working capital deficiency.

ITEM 2 - BUSINESS OF THE TRUST

2.1 STRUCTURE

The following diagram and the sections that follow illustrate and describe the Trust's business structure.



Notes:

- (1) Investors under this Offering will be Unitholders of the Trust.
- (2) Computershare Trust Company of Canada is the Trustee of the Trust.
- (3) AdminCo is the Administrator of the Trust.
- (4) Rockspring Capital, L.L.C. is the Manager of the U.S. Partnership.
- (5) Rockspring Capital Texas Real Estate GP II Inc. is the General Partner of the Partnership.
- (6) The Trust will be the only Limited Partner of the Partnership.
- (7) The General Partner may establish one or more Alternative Vehicles. The Partnership has established the U.S. Partnership as its Alternative Vehicle to make its real estate investments. The Partnership will be the only limited partner of the U.S. Partnership.
- (8) RCC #2, L.L.C. is the U.S. General Partner of the US Partnership.
- (9) Through the U.S. Partnership, the Partnership will invest in U.S. Partnership Investments involving in real estate located in the State of Texas. The U.S. Partnership will also obtain the Loans from the Trust.

2.1.1 THE TRUST

The Trust is an unincorporated, open-ended, limited purpose mutual fund trust formed under the laws of the Province of Alberta on June 23, 2014 pursuant to the Declaration of Trust. The principal place of business of the Trust is Edmonton, Alberta, Canada.

The Initial Unitholder of the Trust is Fred Munn of Edmonton, Alberta. The rights and obligations of the Unitholders and Trustee are governed by the Declaration of Trust and the laws of the Province of Alberta and Canada applicable thereto. The initial Unit issued to the Initial Unitholder was repurchased in accordance with the Declaration of Trust as of August 27, 2014.

A Subscriber will become a Unitholder of the Trust upon the acceptance by AdminCo of such Subscriber's Subscription Agreement.

The Trustee

Computershare Trust Company of Canada is the Trustee of the Trust. The principal place of business, records office and registered office of the Trustee is 600, 530 – 8th Avenue SW Calgary, Alberta T2P 3S8. See www.computershare.com for information regarding Computershare Trust Company of Canada.

The Trustee is responsible for the management and control of business and affairs of the Trust on a day-to-day basis in accordance with the terms of the Declaration of Trust. Pursuant to the terms of the Declaration of Trust and the Administration Agreement, the Trustee has assigned the management and control of the business and affairs of the Trust to AdminCo.

AdminCo

AdminCo a corporation established under the laws of the Province of Alberta. AdminCo is owned and controlled by Rockspring Capital, L.L.C. McAlister is a director of AdminCo.

The Administration Agreement

Pursuant to the Declaration of Trust and the Administration Agreement, the Trustee has granted to AdminCo authority to effect the actual administration of the duties of the Trustee under the Declaration of Trust. The Trustee has granted AdminCo the authority to provide general administrative services and support to the Trust and the Trustee, to act as agent for the Trust, to execute documents on behalf of the Trust and to administer decisions of the Trustee which conform to general policies and general principles set forth in the Administration Agreement or established by the Trustee. AdminCo shall have the powers and duties expressly provided for in the Declaration of Trust and in the Administration Agreement, including the power to further delegate administration of the Trust, provided that no further delegation shall be effective until AdminCo shall have notified the Trustee of the name of the person or persons to whom such further delegation is made and the terms and conditions thereof.

In the event that AdminCo is unable or unwilling to perform its obligations under the Administration Agreement, the Trustee shall either perform all obligations of AdminCo thereunder or shall be entitled to engage another person that is duly qualified to perform such obligations.

Amendment of the Declaration of Trust

AdminCo intends to send out a notice of meeting ("**Meeting Notice**") to the Unitholders in order to call a special meeting of the Unitholders pursuant to section 12 of the Declaration of Trust (the "**Meeting**") at

which the Unitholders will be asked to consider and, if thought advisable, approve, among other things, a proposed amendment or supplement, as the case may be, to the Declaration of Trust to permit the Trust to issue Trust Units in non-certificated inventory ("NCI") form through the facilities of CDS in addition to the current certificated form of issue. NCI is the CDS position in eligible securities that is evidenced by means of book entries and records kept by the transfer agent participant without any certificates or other instruments being issued to CDS. If the Unitholders vote to affirmatively amend the Declaration of Trust to allow NCI issue then the Trust intends to amend the Declaration of Trust in accordance with such resolution. If the resolution does not pass at the Meeting, then the Trust will not amend the Declaration of Trust and will continue to issue Units only in certificated form in accordance with the Declaration of Trust. The Trust may also ask the unitholder to broaden the discretion given to the Trustee and AdminCo in terms of making certain amendments to the Declaration of Trust, provided that such amendments are, in the opinion of the Trustee or AdminCo, are in the best interest of the Unitholders and such amendments are not adverse to the interest of the Unitholders. The Meeting Notice will contain detailed reasoning for the proposed amendments along with the wording of the resolutions and the required resolution thresholds for the resolutions to be approved by the Unitholders.

2.1.2 THE PARTNERSHIP

The Partnership is a limited partnership established under the laws of the Province of Alberta on June 23, 2014.

The Partnership's head office is located at Edmonton, Alberta, Canada. The Partnership was established to carry on a real estate investment and development business, as described in more detail under "Business of the Trust - Our Business" below.

Initial Limited Partner

The initial limited partner of the Partnership is Fred Munn, an individual residing in the City of Edmonton in the Province of Alberta. Mr. Munn holds one LP Unit in the Partnership which Unit will be redeemed by the Partnership on or prior to the final closing of this Offering under this Offering.

The General Partner

The General Partner of the Partnership is Rockspring Capital Texas Real Estate GP II Inc., a corporation established under the laws of the Province of Alberta. The General Partner is owned and controlled by Rockspring Capital, L.L.C. See Item 3.1 - "Directors, Promoters and Principal Holders".

The General Partner has, to the exclusion of the Limited Partners, the sole power and exclusive authority to manage the business and affairs of the Partnership, to make all decisions regarding the business of the Partnership and to bind the Partnership. The General Partner is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Limited Partners and the Partnership and shall, in discharging its duties, exercise the degree of care, the diligence and the skill that a reasonably prudent manager of a partnership would exercise in similar circumstances. Certain restrictions are imposed on the General Partner and certain actions may not be taken by it without the approval of the Partners by special resolution. The General Partner cannot dissolve the Partnership or wind up its affairs except in accordance with the provisions of the Partnership Agreement.

The General Partner has:

- (a) unlimited liability for the debts, liabilities and obligations of the Partnership;

- (b) subject to the terms of the Partnership Agreement, and to any applicable limitations set forth in the Partnership Act and applicable similar legislation, the full and exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of the Partnership; and
- (c) the full and exclusive right, power and authority to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary for or incidental to carrying out the business of the Partnership.

An action taken by the General Partner on behalf of the Partnership is deemed to be the act of the Partnership and binds the Partnership.

Notwithstanding any other agreement the Partnership or the General Partner may enter into, all material transactions or agreements entered into by the Partnership must be approved by the board of directors of the General Partner.

Acquisition of LP Units by the Trust

On or prior to the final closing of this Offering the Trust intends to become a limited partner in the Partnership by acquiring LP Units with 40% of the Available Funds of the Minimum Offering amount. Thereafter the Trust will continue to acquire LP Units in the Partnership with 40% of all proceeds from future closings under this Offering. It is the intention of the Trust and the Partnership that the Trust will be the only limited partner of the Partnership.

The ability of the Trust to make distributions of cash and to make cash redemptions of Units will be wholly dependent upon the distributions of Distributable Cash the Trust receives from the Partnership pursuant to the terms of the Partnership Agreement.

The following are the terms of the Partnership Agreement relating to the distributions of Distributable Cash:

- (a) The General Partner may in its discretion make distributions of Distributable Cash as follows:
 - (i) first, to the Limited Partners to the extent of their unreturned Capital Contributions, whereupon distributions shall thereafter be made;
 - (ii) second, to the Limited Partners, in accordance with their pro rata Capital Contributions (calculated by dividing the Capital Contributions made by a Limited Partner up to that time by total amount of Capital Contributions made by all of the Limited Partners at that time), until there has been distributed to the Limited Partners pursuant to section 5.3 of the Partnership Agreement an amount of cash equal to such Limited Partners' then Cumulative Preferred Return Deficiency, if any; and
 - (iii) then, (A) 0.01% to the General Partner, and (B) 99.99% to the Limited Partners in accordance with their Proportionate Interests (as defined in the Partnership Agreement).
- (b) If the General Partner determines to make a distribution of Distributable Cash, the General Partner will distribute Distributable Cash pursuant to section (a) above to the Partners whose names appear on the register on the date on which such distribution is being made. Distributions made under the Partnership Agreement will be net of any tax required by law to be withheld by the General Partner on behalf of the Partnership.

The General Partner may in its discretion make distributions of Distributable Cash as follows:

- (a) firstly, to the Limited Partners to the extent of their unreturned Capital Contributions whereupon distributions shall thereafter be made;
- (b) secondly, to the Limited Partners, in accordance with their Proportionate Shares, until there has been distributed to the Limited Partners an amount of cash equal to such Limited Partners' then Cumulative Preferred Return Deficiency, if any; and
- (c) then, (A) 0.01% to the General Partner, and (B) 99.99% to the Limited Partners in accordance with their Proportionate Shares.

If the General Partner determines to make a distribution of Distributable Cash, the General Partner will distribute Distributable Cash to the Limited Partners whose names appear on the register on the date on which such Distribution is being made. Distributions made will be net of any tax required by law to be withheld by the General Partner on behalf of the Partnership.

Other Advances or Distributions

Subject to and in the same priority as set forth above, the General Partner may, in addition to the advances or distributions described above, advance or distribute Distributable Cash at any other time and establish a record date for making of such advance or distribution. Notwithstanding the foregoing, the General Partner will not make any such advance or distribution if and to the extent such advance or distribution would be contrary to any provision of any other agreement to which the Partnership is a party, or by which the Partnership is bound (including any loan agreement) or to any Applicable Law.

2.1.3 THE U.S. PARTNERSHIP

The U.S. Partnership is a limited partnership established under the laws of the State of Texas on December 2, 2014.

The U.S. Partnership's head office is located at Houston, Texas, United States of America. The U.S. Partnership was established to carry on a real estate investment and development business, as described in more detail under "Business of the Trust - Our Business" below.

As of December 31, 2014, there has been no cash received by the U.S. Partnership for the issuance of partnership units, nor have any partnership unit certificates been issued. Additionally as of December 31, 2014, there has been no operational activity in the U.S. Partnership (other than the accrual of the Management Fee) and therefore there are no financial statements for the U.S. Partnership as at December 31, 2014.

The U.S. Limited Partner

The U.S. Limited Partner is the Partnership. The Partnership currently holds a 99.95% U.S. Partnership Equity Interest in the U.S. Partnership.

The U.S. General Partner

The U.S. General Partner of the U.S. Partnership is RCC #2 GP, L.L.C., a limited liability company established under the laws of the State of Texas. The U.S. General Partner is owned and controlled by

McAlister. See Item 3.1 - "Directors, Promoters and Principal Holders". The U.S. General Partner currently holds a 0.05% U.S. Partnership Equity Interest in the U.S. Partnership.

As of December 31, 2014, there has been no cash received by the U.S. General Partner for the issuance of share capital, nor has any share certificates been issued. Additionally as of December 31, 2014, there has been no operational activity in the U.S. General Partner (other than the accrual of the Management Fee) and therefore there are no financial statements for the company as at December 31, 2014.

The U.S. General Partner has, to the exclusion of the Limited Partner of the U.S. Partnership, the sole power and exclusive authority and responsibility to manage the business and affairs of the U.S. Partnership, to make all decisions regarding the business of the Partnership and to bind the Partnership. The General Partner is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Limited Partners and the Partnership and shall, in discharging its duties, exercise the degree of care, the diligence and the skill that a reasonably prudent manager of a partnership would exercise in similar circumstances. Certain restrictions are imposed on the U.S. General Partner and certain actions may not be taken by it without the approval of the partners of the U.S. Partnership by special resolution. The U.S. General Partner cannot dissolve the Partnership or wind up its affairs except in accordance with the provisions of the U.S. Partnership Agreement.

The U.S. General Partner has:

- (a) unlimited liability for the debts, liabilities and obligations of the Partnership;
- (b) subject to the terms of the U.S. Partnership Agreement, and to any applicable limitations set forth in the Partnership Act and applicable similar legislation, the full and exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of the Partnership; and
- (c) the full and exclusive right, power and authority to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary for or incidental to carrying out the business of the Partnership.

An action taken by the U.S. General Partner on behalf of the U.S. Partnership is deemed to be the act of the U.S. Partnership and binds the U.S. Partnership.

Notwithstanding any other agreement the U.S. Partnership or the U.S. General Partner may enter into, all material transactions or agreements entered into by the U.S. Partnership must be approved by the board of directors of the U.S. General Partner.

U.S. Capital Contributions by the Partnership

The Partnership intends to continue to make further U.S. Capital Contributions in the U.S. Partnership with the capital contributions made to the Partnership by the Trust from 40% of the proceeds from closings under this Offering. It is the intention of the U.S. Partnership and the Partnership that the Partnership will be the only limited partner of the U.S. Partnership.

The ability of the Partnership to make distributions of cash and to make cash redemptions of LP Units will be wholly dependent upon the distributions of the Available Cash for Distribution that the Partnership receives from the U.S. Partnership pursuant to the terms of the U.S. Partnership Agreement.

The following are the terms of the U.S. Partnership Agreement relating to the distributions of Available Cash for Distribution:

Cash Available for Distribution shall be distributed among the U.S. Partners at such times as the U.S. General Partner deems appropriate. Upon the distribution of Cash Available for Distribution, it shall be distributed to the U.S. Partners *pro rata* as follows:

- (a) assuming that there is sufficient Cash Available for Distribution, the U.S. General Partner shall distribute to the U.S. Partners a cash distribution, payable within 60 days after the end of each quarter of the U.S. Partnership's Fiscal Year, in an amount equal to the amount determined by applying the maximum applicable marginal federal tax rates applicable to the income and capital gains recognized by the U.S. Partnership for such quarter of the U.S. Partnership's Fiscal Year, and such amount shall be distributed among the U.S. Partners in the same proportions as U.S. Profits were allocated among the U.S. Partners pursuant to section 9.01 of the U.S. Partnership Agreement for such quarter of the U.S. Partnership's Fiscal Year;
- (b) then to the U.S. Partners, *pro rata* in accordance with their respective U.S. Capital Contributions, until each U.S. Partner has received pursuant to section 9.02(b) and section 13.02(b)(iv)(A) of the U.S. Partnership Agreement, an aggregate amount equal to the U.S. Capital Contributions made by such U.S. Partner pursuant to section 5.01 of the U.S. Partnership Agreement; and
- (c) then to the U.S. Partners, *pro rata* in accordance with their respective U.S. Partnership Equity Interests.

Except as otherwise stated in the U.S. Partnership Agreement, (a) distributions of cash or other property shall be made only to such Persons who appear as U.S. Partners on the books of the U.S. Partnership on the date of distribution; and (b) all amounts withheld pursuant to the Code or any provision of any state or local tax law with respect to any payment or distribution to the U.S. Partnership or a U.S. Partner shall be treated as amounts distributed to the U.S. Partners pursuant to section 9.02 for all purposes under the U.S. Partnership Agreement.

Management of the U.S. Partnership

The Manager of the U.S. Partnership is Rockspring Capital, L.L.C., a limited liability corporation incorporated under the laws of the State of Texas. The Manager is controlled by McAlister. McAlister is the sole officer and director of the Manager and through a holding company is the sole shareholder of the Manager.

In consideration for the Manager providing the Management Services, the U.S. Partnership will pay the Manager the Management Fee and the Carried Interest. See Item 2.2 - "Our Business" – "The U.S. Partnership".

2.2 OUR BUSINESS

The Trust

The Trust is in a start-up phase of development and has carried on limited business prior to this Offering and has limited financial and development history. Since creation, the Trust has been engaged in the preparation of this Offering, which has included, amongst other things, establishing the Partnership, retaining the Trustee and retaining legal counsel.

The Trust's purpose and business is to acquire LP Units in the Partnership and to provide Loans to the U.S. Partnership, on a 40/60 basis, respectively, with the objective of generating returns to Unitholders. All or substantially all of the Available Funds of the Offering will be used to acquire LP Units in the Partnership and provide Loans to the U.S. Partnership. The number of LP Units acquired and amount of the Loans made to the U.S. Partnership by the Trust will be contingent on the amount of funds raised pursuant to this Offering. See Item 1.2 - "Use of Available Funds".

The Partnership

The Partnership is in a start-up phase of development and has carried on limited business prior to this Offering and has limited financial and development history. Since creation, the Partnership has been engaged in the preparation of this Offering, which has included, amongst other things, establishing the U.S. Partnership and retaining legal counsel.

The Partnership's purpose and business is to make U.S. Capital Contributions to the U.S. Partnership with the objective of generating returns to the Limited Partner.

The U.S. Partnership

The U.S. Partnership was formed on December 2, 2014. The Partnership is the only limited partner of the U.S. Partnership.

- (a) The U.S. Partnership was formed to:
- (i) seek out real estate and or special situation real estate related investments in the State of Texas suitable for development or redevelopment, including, but not limited to, the purchase of debt from financial institutions that is secured by real property, the making of bridge loans with maturities of typically 12 to 36 months with such rate and loan to value ratio as determined by the U.S. General Partner in its sole discretion and which bridge loans will be secured by real property, entering into ventures with related parties and/or un-related third parties whereby the U.S. Partnership contributes real property or capital to such venture, and other similar type of real estate investing (collectively, "**Investments**");
 - (ii) acquire, own, hold (whether, individually, jointly with others or via an Alternative Vehicle), maintain, manage, market (which may also include, without limitation, pre-development and development activities, if deemed appropriate by the U.S. General Partner in its sole discretion), sell, transfer or otherwise dispose of Investments,
 - (iii) engage in any other lawful activities permitted under Applicable Law that the U.S. General Partner determines, in its sole discretion, to be necessary or advisable in furtherance of the foregoing. The U.S. Partnership shall invest, directly or indirectly, in Investments located in the State of Texas;
 - (iv) the U.S. Partnership shall acquire all Investments which are not income producing with cash, subject to any Bridge Financing that it obtains with respect to the acquisition of Investments;
 - (v) where Investments acquired by the U.S. Partnership are income producing or have land related development costs, the U.S. Partnership may obtain Financing of up to 50% of the

- total cost of its interest in such an Investment from third party lenders; in any event, the Trust will not have more than 35% leverage on the total portfolio; and
- (vi) the U.S. Partnership may enter into joint ventures, partnerships and other business combinations with a Rockspring Fund in the acquisition of an Investment.
- (b) Without limiting the foregoing, some of the management and pre-development and/or development services that the U.S. Partnership may provide or engage with respect to Investments include, but are not limited to:
- (i) securing the necessary entitlements (e.g., zoning, platting/re-platting, utility reservations / commitments / service agreements);
 - (ii) securing letters of intent or anchor purchasers; and negotiating cross easement and restriction agreements with adjacent landowners and/or anchor purchasers;
 - (iii) investigating and where applicable, monitoring and/or remediating existing environmental issues (such as toxic or hazardous materials);
 - (iv) investigating and where applicable obtaining necessary permits regarding possible wetlands and/or endangered species;
 - (v) investigating soil structure to determine feasibility and cost of building on the land;
 - (vi) investigating and pursuing, with applicable government authorities, applicable access and road issues for an Investment that the U.S. General Partner deems appropriate; and
 - (vii) such other matters as the U.S. General Partner may deem necessary or appropriate.
- (c) The utility reservations may involve negotiating impact and other similar fees with the applicable Governmental Authority, or agreeing to fund capital improvements by a Municipal Utility District ("**MUD**"), and the negotiation of partial reimbursement through bond sales by the MUD. Other than as authorized by Special Resolution, the U.S. Partnership shall not (1) invest in any new Investments after the termination of the Investment Period, or (2) incur indebtedness for borrowed money in connection with the acquisition of an Investment by the U.S. Partnership other than via Bridge Financing.
- (d) If the U.S. General Partner determines in good faith that for legal, tax, regulatory or other reasons it is in the best interests of the U.S. Partnership for the U.S. Partnership to own or hold an Investment in a separate structure, the U.S. General Partner is authorized to cause the U.S. Partnership to form the same ("**Alternative Vehicle**") and to contribute and/or make available funds necessary for such Alternative Vehicle to acquire, own, maintain, improve, operate or dispose of such Investment.
- (e) The U.S. Partnership shall have the power to do any and every act and thing necessary, proper, convenient or incidental to the accomplishment of its business and purposes.
- (f) The purposes of the U.S. Partnership set forth above are to be construed as both purposes and powers of the U.S. Partnership.

Investments

With respect to the U.S. Partnership Investments made in Texas, the U.S. Partnership intends to make them mainly in the "Texas Triangle" area, including the Houston, San Antonio, Austin and Dallas/Fort Worth metropolitan areas, and to a lesser degree within other areas of the State of Texas.

The term "Texas Triangle" comes from the fact that the three main cities in the Texas Triangle are connected by a highway system being Interstate 45, Interstate 10, and Interstate 35 that forms up a triangle when connected. The 60,000-square-mile (160,000 km²) region contains most of the state's largest cities and metropolitan areas as well as 17 million people, nearly 75 percent of Texas' total population. The Texas Triangle is anchored by the metropolitan areas of Houston, San Antonio, Dallas-Fort Worth, and Austin. There are 66 individual counties altogether in the Texas Triangle.

Acquisition of Investments

The U.S. Partnership will acquire its properties on an unleveraged basis. Properties may be acquired on a fee simple by the U.S. Partnership, or the U.S. Partnership may invest in and become a partner or owner in another partnership, joint venture or other entity that owns the property in combination with one or more other related or unrelated parties or investors. Prior to the expiration of the Investment Period, the U.S. Partnership will also have the ability to reinvest any funds received from a sale of an Investment if the sale of such Investment occurs within two years of the purchase of such Investment. The U.S. Partnership may borrow from the U.S. General Partner or its Affiliates or from third parties, on a bridge loan basis, sufficient funds to acquire properties prior to the closing of this Offering.

The U.S. Partnership intends to acquire Investments which are, or are secured by, real property which presents "value-add" opportunities and quick turn potential and intends to seek such acquisitions from its existing long-term relationships with arms length parties, to acquire, where possible, distressed properties at fair prices. The U.S. General Partner believes that buying distressed Investments and making strategic "value-add" entitlements provide the opportunity for increased profits. In certain situations where the U.S. Partnership determines that there is a "value-add" potential for a particular Investment, the U.S. Partnership may undertake the entitlement process and/or horizontal development of such Investment with either affiliates of the U.S. Partnership or third parties. The U.S. Partnership will undertake to bring such Investment as close to "development ready" as possible in order to accelerate the timing of sale of such Investment and to maximize its sale price. Certain pre-development activities that the Partnership may undertake are:

- securing necessary entitlements (e.g., zoning, platting/re-platting, utility reservations/commitments/service agreements);
- securing letters of intent or significant purchasers and negotiating cross-easement and restriction agreements with adjacent landowners and/or significant purchasers;
- investigating and where applicable, monitoring and/or remediating existing environmental issues (such as toxic or hazardous materials);
- investigating and where applicable obtaining necessary permits regarding possible wetlands and/or endangered species;
- investigating soil structure to determine feasibility and cost of building on the land; and

- investigating and pursuing, with applicable government authorities, applicable access and road issues for an Investment that the General Partner deems appropriate.

The U.S. Partnership intends to acquire Investments in the “Texas Triangle” area. The term “Texas Triangle” describes a triangular geographic area in eastern Texas, the points of which are composed of three main cities that are connected by Interstate 45, Interstate 10, and Interstate 35. The 60,000-square-mile (160,000 square kilometers) region contains most of the state’s largest cities and metropolitan areas as well as 17 million people, nearly 75% of Texas’ total population.

The Texas Triangle is anchored by the metropolitan areas of Houston, San Antonio, Dallas-Fort Worth and Austin, which are four of the top 16 cities in the United States, and is comprised of 66 individual counties.

The population and job growth of Texas has significantly outpaced the national economy from 2010 to 2013. According to the U.S. Census Bureau, the population of Texas, which represents approximately 8% of the U.S. population, grew from 25.145 million people in 2010 to 26.448 million people in 2013, which is an annual population growth rate of 5.2% as compared to the annual U.S. population growth rate of 2.4% during the same period. Its population is predicted to increase to approximately 45.3 million people by 2040, almost double its population in 2000.

Real Estate Brokerage Fees

In connection with its sales of Investments, the U.S. Partnership may pay real estate brokerage fees to any licensed real estate broker an amount not in excess of 6% of the aggregate sales price of the Investment sold. All or any portion of such real estate brokerage fees may be paid to one or more Affiliates of the U.S. General Partner. Affiliates of the U.S. General Partner may also receive a portion of real estate brokerage fees paid by the sellers of properties in connection with the U.S. Partnership's acquisition of Investments.

To ensure that the U.S. Partnership continues to attract certain type of Investment deal flow, the U.S. Partnership may pay real estate brokerage fees to any licensed real estate broker in connection with the purchase of an Investment where the seller of such Investment does not pay a real estate brokerage fee or on the soft and hard development costs on Investments. These types of real estate brokerage fees will be paid at the closing of an Investment or within 30 days thereafter. The U.S. Partnership may pay a real estate brokerage fee up to, but not in excess of 3% of these types of Investments. All, or any portion of, these real estate brokerage fees may be paid to one or more Affiliates of the U.S. General Partner.

Reinvestment of Proceeds after Sale of Investment

The U.S. General Partner shall have the option to reinvest a portion of the proceeds from the sale of any Investment that occurs within two years of the purchase of such Investment and prior to the expiration of the Investment Period. The U.S. General Partner will only reinvest such portion of the proceeds that relates to the amount paid by the U.S. Partnership to purchase or invest in such Investment. The U.S. Partnership will reinvest such proceeds by purchasing or investing in another Investment. The remainder of such proceeds shall be distributed to the Partners in the manner provided by the U.S. Partnership Agreement.

Management of the Partnership and U.S. Partnership

The Partnership will be managed solely by the General Partner. The U.S. Partnership shall be managed by the Manager.

The principal of the General Partner, the U.S. General Partner and the Manager is James McAlister, IV ("**McAlister**"), a resident of Harris County, Texas. McAlister has over 27 years of experience in the real estate business and in managing real estate investments including other real estate investment partnerships (collectively the "**Rockspring Funds**") that have investment objectives similar to the objectives of the Partnership, some of which are described as follows: (i) JM Texas Land Fund No. 1, L.P., which has utilized 100% of its committed capital in connection with the purchase of real estate in Harris County Texas and adjacent counties, (ii) JM Texas Land Fund No. 2, L.P., which has utilized 100% of its committed capital in connection with the purchase of real estate in Harris County Texas and adjacent counties, (iii) JM Texas Land Fund No. 3, L.P., which has utilized 100% of its committed capital in connection with the purchase of real estate in Harris County Texas and adjacent counties, (iv) JM Texas Land Fund No. 4, L.P., which has utilized 100% of its committed capital in connection with the purchase of real estate in Harris County Texas and adjacent counties, (v) JM Texas Land Fund No. 5, L.P., which has utilized 100% of its committed capital in connection with purchase of real estate in Harris County Texas and adjacent counties; (vi) Texas Land Fund No. 6, L.P., which has utilized 100% of its committed capital in connection with purchase of real estate in Harris County Texas and adjacent counties; (vii) Opportunity Land Fund No. 7, L.P., which utilized 100% of its committed capital in the connection with the purchase of real estate in Texas; (viii) Rockspring Capital Growth and Income Fund L.P.; (ix) Rockspring Capital Texas Real Estate Momentum Fund, L.P.; and (x) Rockspring Capital Texas Real Estate Trust. See Item 3.2 - "Management; Prior Experience" for a discussion of the McAlister's track record in other real estate limited partnerships.

The following is a synopsis of the investments undertaken by the Rockspring Funds since 2003:

Partnership Entity	Site	State	Acreage	Purchase Date
JM Texas Land Fund No. 1, LP	Beltway 8 & Antoine	Texas	63.00	June-2003
JM Texas Land Fund No. 1, LP	League City	Texas	18.83	September-2003
JM Texas Land Fund No. 1, LP	Westheimer Lakes Sugarland	Texas	84.30	October-2003
JM Texas Land Fund No. 1, LP	League City	Texas	26.00	November-2003
JM Texas Land Fund No. 1, LP	Atascocita	Texas	44.83	November-2003
JM Texas Land Fund No. 1, LP	Wilson & Will Clayton	Texas	7.28	December-2003
JM Texas Land Fund No. 1, LP	Clay Road & Wood Pine	Texas	4.77	December-2003
JM Texas Land Fund No. 1, LP	Clay Road & Wood Pine	Texas	3.15	December-2003
JM Texas Land Fund No. 1/2, LP	1-45 South of FM 1960 (JV)	Texas	30.10	January-2004
JM Texas Land Fund No. 2, LP	US 59 and Rankin	Texas	94.20	March-2004
JM Texas Land Fund No. 2, LP	US 59 and Rankin	Texas	21.59	March-2004
JM Texas Land Fund No. 2, LP	US 59 and Rankin	Texas	42.24	May-2004
JM Texas Land Fund No. 2, LP	Beltway 8	Texas	8.27	August-2004
JM Texas Land Fund No. 2, LP	Will Clayton and Wilson	Texas	6.99	September-2004
JM Texas Land Fund No. 2, LP	League City	Texas	17.97	October-2004
JM Texas Land Fund No. 2, LP	West Lake Houston Pkwy.	Texas	91.00	October-2004
JM Texas Land Fund No. 2/3, LP	FM 517 League City (JV)	Texas	800.39	August-2004
JM Texas Land Fund No. 2/3, LP	US 290 & Hempstead Hwy. (JV)	Texas	62.80	September-2004
JM Texas Land Fund No. 2/3, LP	US 290 & Hempstead Hwy. (JV)	Texas	19.37	October-2004
JM Texas Land Fund No. 2/3, LP	West Lake Houston Pkwy. (JV)	Texas	760.25	November-2004
JM Texas Land Fund No. 3, LP	FM 1314 in Montgomery County	Texas	700.92	October-2004
JM Texas Land Fund No. 3/4, LP	Berdett Rd. & Meyer Rd. (JV 38.9%)	Texas	372.16	January-2005
JM Texas Land Fund No. 4, LP	Katy Hockley Rd. South US 290	Texas	196.43	August-2005
JM Texas Land Fund No. 4, LP	House Rd. South of US 290	Texas	99.86	August-2005
JM Texas Land Fund No. 4, LP	Meyer Rd. - Fort Bend County	Texas	130.58	August-2005

Partnership Entity	Site	State	Acreage	Purchase Date
JM Texas Land Fund No. 4, LP	Krosche Rd. & US 59 ⁽¹⁾	Texas	154.80	November-2005
JM Texas Land Fund No. 4, LP	Hwy. 290 ⁽²⁾	Texas	1,012.30	January-2006
JM Texas Land Fund No. 4, LP	NW Corner Greenhouse Rd. and FM 529	Texas	15.00	January-2006
JM Texas Land Fund No. 4, LP	US 290 & Kickapoo Rd.	Texas	824.74	March-2006
JM Texas Land Fund No. 4, LP	Morton Rd. & Willamette Way	Texas	16.50	May-2006
JM Texas Land Fund No. 4, LP	Katy Hockley Road	Texas	2.00	June-2006
JM Texas Land Fund No. 4/5, LP	FM - 1467 Savannah (JV)	Texas	1,467.00	April-2006
JM Texas Land Fund No. 5, LP	State Highway 242 and FM 2090	Texas	1,928.00	September-2006
JM Texas Land Fund No. 5, LP	Katy Hockley Cutoff and Stockdick Rd	Texas	320.00	October-2006
JM Texas Land Fund No. 5, LP	FM 2218 and Hand Road	Texas	247.00	October-2006
JM Texas Land Fund No. 5, LP	FM 2218 and Hand Road	Texas	69.50	October-2006
JM Texas Land Fund No. 5, LP	FM 2218 and Hand Road	Texas	229.50	March-2007
Texas Land Fund No. 6, LP	Katy Hockley Rd SW of Hwy 290	Texas	198.00	July-2007
Texas Land Fund No. 6, LP	Nameless Rd	Texas	107.00	September-2007
Texas Land Fund No. 6, LP	FM 2100	Texas	431.00	October-2007
Texas Land Fund No. 6, LP	US 290 & Kermier	Texas	74.55	February-2008
Texas Land Fund No. 6, LP	Babcock Road	Texas	46.00	April-2008
Texas Land Fund No. 6, LP	Beltway 8 & Tidwell	Texas	23.50	June-2008
Texas Land Fund No. 6, LP	Warren Ranch Rd.	Texas	408.50	July-2008
Texas Land Fund No. 6, LP	River Oaks Ranch	Texas	943.00	August-2008
Texas Land Fund No. 6, LP	Hwy 105	Texas	32.04	September-2008
Texas Land Fund No. 6, LP	Dancing Bear Ranch (acreage)	Texas	78.10	April-2009
Texas Land Fund No. 6, LP	Dancing Bear Ranch (lots)	Texas	223 lots	April-2009
Texas Land Fund No. 6, LP	Bammel North Houston	Texas	2.00	December-2009
Texas Land Fund No. 6, LP	Binz-Engleman	Texas	4.64	May-2010
TLF No.6, LP/Opp LF No. 7, LP	Helotes Hwy 16 (JV)	Texas	1,766.88	June-2010
Opportunity Land Fund No. 7, LP	Loop 410	Texas	30.62	August-2010
Opportunity Land Fund No. 7, LP	Medical Center, Grand Blvd.	Texas	3.65	December-2010
Opportunity Land Fund No. 7, LP	Medical Center, Alice St.	Texas	1.19	December-2010
Opportunity Land Fund No. 7, LP	Compass Bank Note	Texas	6.13	January-2012
Opportunity Land Fund No. 7, LP	White Wing (Lots)	Texas	48.00	February-2012
Opportunity Land Fund No. 7, LP	White Wing (Acreage)	Texas	16.71	February-2012
Opportunity Land Fund No. 7, LP	Town Center Blvd.	Texas	9.98	June-2012
Opp LF No. 7, LP/RCG & I, LP	Harborwalk Loan (JV)	Texas	Lots & Land	May-2012
RCG & I Fund, LP	Nottingham	Texas	108.48	September-2012
Canadian Trust #1 / RC Momentum Fund, LP	Rogers Road	Texas	7.6	January-2014
Canadian Trust #1 / RCG & I Fund, L.P. / RC Momentum Fund, L.P.	Bee Caves	Texas	23.0	January-2014
RCG & I Fund, L.P.	Indian Springs	Texas	726.0	November-2013
Canadian Trust #1 / RC Momentum Fund L.P.	Seguin Industrial	Texas	121.0	February-2014
Canadian Trust #1 / RC Momentum Fund L.P. / Canada Accredited Fund	Leander	Texas	28.44	October -2014
Canadian Trust #1 / RC Momentum Fund L.P. / Canada Accredited Fund	Yale Street	Texas	4.0	October-2014

Partnership Entity	Site	State	Acreage	Purchase Date
Canadian Trust #1 / RC Momentum Fund L.P. / Canada Accredited Fund	Katy	Texas	157	October -2014

As of December 31, 2014, Rockspring Capital, L.L.C. has made 67 investments through its 12 fund vehicles. Of these 67 projects, 39 projects have had full or partial exits through December 31, 2014 as illustrated in the following table.

Investments Acquired and Exited to December 31, 2014

Year	Investments	Exited ⁽¹⁾	Active	% Exited
2003 - 2005	26	23	3	88%
2006 - 2009	22	5	17	23%
2010 - 2014	19	11	8	58%
Totals	67	39	28	58%

Note:

- (1) Projects fully and partially exited up to December 31, 2014. These figures do not include any properties under purchase and sale agreements or letters of intent. Exits do not include easement sales.

The U.S. Partnership may enter into joint ventures with existing and/or future related limited partnerships controlled by McAlister, to acquire an interest in one or more properties.

If such joint ventures are formed, the U.S. Partnership will contribute capital to the joint venture for its pro rata share of the land acquisition costs and other expenses relating to the acquisition of the property (and the joint venture will then use such capital to either fund the purchase of property or to repay any Bridge Financing incurred in the acquisition of any property by such joint venture).

Subject to the following, neither the U.S. General Partner nor any other of the Rockspring Funds shall independently pursue outside of the U.S. Partnership any opportunity to acquire an Investment opportunity, without first offering the U.S. Partnership the opportunity to participate in the acquisition of such an Investment; provided, however, that this restriction shall not apply with regard to:

- (a) Investments that involve less than \$500,000 or where the U.S. Partnership would be acquiring a partial interest in an Investment, the U.S. Partnership's interest would be less than 20% of the total of that Investment; or
- (b) properties which are intended for personal use or recreation of McAlister, or members of his family.

The U.S. General Partner shall determine the amount, terms and provisions of the Investments to be made or sold by the Partnership.

U.S. Partnership

Pursuant to the Management Agreement the Manager has agreed to be responsible for the overall management, financial and business operations of the U.S. Partnership and its business and to provide the following services to the U.S. Partnership (collectively, the "**Management Services**"):

- (a) acquisition and financing services including but not limited to:
 - (i) management the U.S. Partnership's investment in the Investments;
 - (ii) overseeing the acquisition of the Investments;
 - (iii) when the U.S. General Partner determines to be necessary or advisable, negotiation and completion of the sale of part or all of the U.S. Partnership's interest in the Investments on such terms and conditions and at such time as the General Partner may determine;
 - (iv) arranging for all mortgages and other financing required by or that the U.S. General Partner determines to be commercially reasonable for or ancillary to the activities of the U.S. Partnership and liaising with all other lenders to the U.S. Partnership and provide collateral covenants where required;
 - (v) when the U.S. General Partner determines to be necessary or advisable to oversee all development and servicing of the Investments; and
 - (vi) complete the other tasks and matters as may be necessary in respect of the foregoing;
- (b) management and disposition services including but not limited to:
 - (i) overall management, financial and business planning for the U.S. Partnership, including overseeing the operations of the U.S. Partnership business and interests of the U.S. Partnership in the Investments;
 - (ii) establishing appropriate legal and accounting systems for the proper control of the interests of the U.S. Partnership in the Investments;
 - (iii) advising the U.S. Partnership with respect to the disposition of the U.S. Partnership's interest in the Investments, and when the U.S. General Partner determines to be necessary and advisable, negotiate and complete the sale of the U.S. Partnership's interest in the Investments on the terms and conditions and at the time as the U.S. General Partner may determine; and
 - (iv) completing other tasks and matters as may be necessary in respect of the foregoing.
- (c) customary office and administrative services including but not limited to:
 - (i) access to an office;
 - (ii) bookkeeping and secretarial services;
 - (iii) record storage;
 - (iv) telephone; and
 - (v) other customary office and administrative services;
- (d) general management and financial management services including but not limited to:

- (i) periodically reviewing, evaluating and making recommendations concerning the U.S. Partnership's policies and procedures, administration, accounting, legal and other professional representation, financings, securities offerings and the like administration; and
- (ii) at the request of the General Partner, implementing decisions of the U.S. General Partner's managers or officers related to any part or all of the U.S. Partnership's business and the Investments.

The following are the material terms relating to the payment of fees and expenses under the Management Agreement:

Management Fees Associated with the Management of the U.S. Partnership

Pursuant to the Management Agreement, the U.S. Partnership will pay the Manager a fee (the "**Management Fee**"). The Management Fee will be calculated and payable following the end of each quarter. The Management Fee shall be calculated per each quarter as follows:

- (a) during the Investment Period, an amount equal to 1.85% of the Gross Proceeds raised by the Trust during such quarter; and
- (b) after the Investment Period, an amount equal to the lesser of:
 - (i) an amount equal to 1.85% of the Fair Market Value of all Investments then held by the U.S. Partnership at the end of such quarter (taking into account all Investments sold by the U.S. Partnership since the most recent then-current appraisal was made with respect to such Investments); or
 - (ii) the amount calculated in sub-paragraph (a) above.

For greater certainty, the Management Fee shall be calculated in Canadian denominated funds.

Carried Interest

As consideration for acting in the capacity of Manager of the U.S. Partnership, the U.S. Partnership will pay certain carried interest to the Manager (the "**Carried Interest**") during the term of its engagement as manager of the U.S. Partnership. The Carried Interest shall be calculated in accordance with the Management Agreement as follows:

- (a) the Carried Interest shall become payable by the U.S. Partnership to the Manager after the U.S. Partnership has received, by way of proceeds from the U.S. Partnership Investments (including but not limited to distributions and sales proceeds), an amount equal to the Gross Proceeds plus the Trust Preferred Return;
- (b) upon the requirements in subparagraph (a) above having been satisfied, the U.S. Partnership will make the Carried Interest payment to the Manager as follows:
 - (i) first, each of the Manager and the Trust (directly through the repayment of the Loan and the interest thereon and indirectly through distribution by the Partnership) will each receive an amount equal to 30% of the Trust Preferred Return;

- (ii) then, 70% of the remaining proceeds shall be paid to the Trust (directly through the repayment of the Loan and the interest thereon and indirectly through distribution by the Partnership) and 30% of the remaining proceeds shall be paid to the Manager; and
- (iii) where distributions are to be made to the limited partners upon dissolution of the U.S. Partnership, the Manager shall receive an amount equal to 30% of such distributions only after the Trust have received distributions in the aggregate equal to the return of their contributed capital and any cumulative preferred return deficiency.

To further illustrate how the Carried Interest formula works, the following is a very simple example. It is not intended to show the actual cash flows back to the Trust. Assuming that a U.S. Limited Partner makes a U.S. Capital Contribution of \$1,000,000 and a property is acquired for \$878,000 (net of sales commissions and estimated offering costs but before operating expenses) and then sold at the end of year four for net \$2,000,000. The resulting Carried Interest would be \$252,754, as further illustrated in the table below:

Carried Interest Example Calculation:

Net sale proceeds	2,000,000	
Original US Capital Contribution	(1,000,000)	
Total Profits	<u>1,000,000</u>	
Trust Preferred Return	(262,477)	(assuming four years, annually compounded on 1,000,000)
To the Trust	(78,743)	
30% Carried Interest payment to Manager (1)	(78,743)	
Remaining Profits	<u>580,037</u>	
30% remainder to Manager (2)	<u>(174,011)</u>	
Net Cash Available	-	
Total Carried Interest to Manager (1+2)	<u>252,754</u>	
Total Profit to the Trust	<u>747,246</u>	

Any U.S. Limited Partner profits exceeding the Preferred Return will be shared by the U.S. Limited Partners based on a proportionate share of units as defined in the U.S. Partnership Agreement.

Expenses

Except for payments expressly assumed by the Manager under a Management Agreement, it is intended that the U.S. Partnership will be responsible for all costs, charges and expenses directly reasonably and properly incurred by the Manager in the performance of the Management Services, including:

- (a) all costs, fees, charges and expenses incurred for all agents, appraisers, inspectors, legal counsel, accountants, tax advisors and other advisors engaged on behalf of the U.S. Partnership;

- (b) the capital costs of all assets of the U.S. Partnership used in the U.S. Partnership's business;
- (c) expenses not related to functions assumed by the Manager;
- (d) taxes and governmental fees; and
- (e) a reasonable allocation of the overhead and general or administrative expenses of the Manager related to the Management Services;

and will either pay the amounts directly or at the direction of the Manager or will promptly reimburse the Manager with respect thereto.

Reimbursement

The U.S. Partnership will reimburse the Manager for all costs, charges and expenses properly incurred by the Manager in the ordinary course of the U.S. Partnership's business and payable by the U.S. Partnership under the Management Agreement and not specifically agreed to be borne by the Manager.

2.3 DEVELOPMENT OF THE BUSINESS

Neither of the Trust, the Partnership or the U.S. Partnership engaged in active investing business to date.

The following are the major events that have occurred with respect to the business of the Trust, the Partnership and the U.S. Partnership to the date of this Offering Memorandum:

- (a) the Trust, the Partnership and the U.S. Partnership have each been established;
- (b) The Trust and the Partnership have entered into the Funding Agreement;
- (c) The Trust has entered into the Administration Agreement with AdminCo; and
- (d) The U.S. Partnership has entered into the Management Agreement with the Manager.

The Trust expects that it will enter into a number of distribution agreements with Exempt Market Dealers to affect the distribution of Units under this Offering.

There have been no unfavorable developments affecting the Trust's or the Partnership's or the U.S. Partnership's business since their inception.

2.4 LONG TERM OBJECTIVES

The Trust

The Trust's purpose and business, and thus its short term and long term objective, is to raise \$25,000,000 under this Offering, to acquire LP Units from the Partnership and to provide the Loans to the U.S. Partnership, with the objective of generating returns to Unitholders.

40% of the Available Funds of the Offering will be used to provide acquire LP Units from the Partnership, which will use such proceeds to make additional U.S. Capital Contributions. The number of LP Units acquired by the Trust will be contingent on the amount of funds raised pursuant to this Offering. Investments in the Trust should be considered long-term in nature.

60% of the Available Funds of the Offering will be used to provide the Loans to the U.S. Partnership, which will use such Loans to acquire real estate assets as described above (See Item 2.2 - "Our Business" - "The U.S. Partnership") and to make other acquisitions and investments. The amount of the Loans provided by the Trust to the U.S. Partnership will be contingent on the amount of funds raised pursuant to this Offering. Investments in the Trust should be considered long-term in nature.

The costs, expenses and Selling Commissions together with the Investment Administration Expense associated with this Offering are estimated to be \$3,513,000. All expenses of the Offering will be borne by the Partnership rather than the Trust pursuant to the terms of the Funding Agreement.

As the activities of the Trust are limited to investing a portion of the Available Funds into the Partnership and providing a portion of the Available Funds in the form of Loans to the U.S. Partnership, the long and short term objectives of the Partnership and the U.S. Partnership, as set out below, are indirectly the long and short term objectives of the Trust.

The Partnership

The Partnership's purpose and business, and thus its short term and long term objective is to use the Capital Contribution made by the Trust to purchase LP Units to make U.S. Capital Contributions in the U.S. Partnership. Additionally, it will use a portion of the Trust's Capital Contributions to pay all costs, expense and Selling Commission associated with this Offering pursuant to the Funding Agreement.

The U.S. Partnership

The U.S. Partnership plans to make Investments located in the "Texas Triangle" area, including the Houston, San Antonio, Austin and Dallas/Fort Worth metropolitan areas, and to a lesser degree within other areas of the State of Texas.

The U.S. Partnership plans to make Investments in real property or special situation real estate related investments in Texas suitable for development or redevelopment, including, but not limited to, the purchase of debt from financial institutions that is secured by real property, the making of bridge loans with maturities of typically 12 to 36 months with such rate and loan to value ratio as determined by the U.S. General Partner in its sole discretion and which bridge loans will be secured by real property, entering into ventures with third parties whereby the U.S. Partnership contributes real property or capital to such venture, and other similar type of real estate investing.

The following are the estimated costs that the Trust, through the Partnership and/or the U.S. Partnership expect to incur in pursuing its business objectives over the ensuing 12 months from the date of this Offering Memorandum:

Estimated Costs of Acquisition of Investments	(\$)
Miscellaneous Property Assessment	72,000
Appraisals	120,000
Environmental Studies	48,000
Legal Fees – Properties	72,000
Mineral Interest Reports	24,000
Drainage and Development Studies	24,000
Surveys	72,000
Other Consulting and Due Diligence	48,000

Estimated Costs of Acquisition of Investments	(\$)
Management Fee	462,500 ⁽¹⁾
Total	\$942,500⁽²⁾

Notes:

- (1) Assuming the Maximum Offering amount is raised. The Management Fee will be paid by the U.S. Partnership.
- (2) The above costs relate only to estimated expenses relating to identifying and acquiring Investment properties. The Partnership anticipates that it will incur additional costs relating to the administration and operation of the Partnership and the Trust over the term of the Partnership and the Trust. These costs will be paid by the Partnership. The total amount of administration and operating costs that will be incurred by the Partnership and the Trust are dependent upon: (i) the funds raised under this Offering; (ii) the number and nature of Investments acquired by the Partnership; and (iii) external factors which cannot be anticipated or controlled by the Partnership or the Trust. As a result, the Partnership and the Trust are unable to accurately estimate these costs at this time. See Item 1.2 - "Use of Available Funds" - "The Partnership".

2.5 SHORT TERM OBJECTIVES AND HOW WE INTEND TO ACHIEVE THEM

The following table sets out how the Trust intends to meet its short term objectives over the next 12 months:

What we must do and how we will do it	Target number of months to complete	Our cost to complete
Raise \$25,000,000 ⁽¹⁾ through this Offering and purchase LP units in the Partnership or provide the Loans to the U.S. Partnership	Estimated: 9 months	\$3,050,000 ⁽¹⁾
Continue seeking the acquisition of a portfolio of properties located in Texas through the Partnership and the U.S. Partnership.	Estimated: 12 months	\$942,500 ⁽²⁾⁽³⁾

Notes:

- (1) As of the date of this Offering Memorandum approximately \$8,000,000 has been raised under this Offering. The Trust's short term objective is to raise the additional funds to reach the Maximum Offering within the next 9 months as outlined in the table above. The cost to complete of \$3,050,000 is the anticipated cost associated with the Trust's objective to raise the Maximum Offering and includes any costs incurred as of the date of this Offering Memorandum.
- (2) Fees associated with establishment of the U.S. Partnership are included in the anticipated costs of seeking the acquisition of a portfolio of properties located in Texas through the Partnership and the U.S. Partnership of \$942,500, set out in the table above. The U.S. Partnership was established on December 2, 2014.
- (3) See Item 2.4 - "Long Term Objectives- the Partnership" for a breakdown of the associated costs.

2.6 INSUFFICIENT FUNDS

The Trust

The Trust intends that all or substantially all of the Available Funds of the Offering will be used to acquire LP Units in the Partnership and will be used to provide loans to the U.S. Partnership (upon its establishment), on a 40/60 basis, respectively. The Trust does not intend to hold any significant cash reserves. The proceeds of this Offering may not be sufficient to accomplish all of the Trust's proposed objectives and there is no assurance that alternative financing will be available.

The Partnership

The Partnership intends that the portion of the Available Funds of the Offering contributed by the Trust to the Partnership, after payment of all costs, expense and Selling Commission associated with this Offering, will be used to make U.S. Capital Contributions in the U.S. Partnership and to pay for the operating and administration expenses of the Trust. The U.S. Partnership will pay the Management Fee and any other

associated management expenses. The Partnership does not intend to hold any significant cash reserves. The proceeds of this Offering may not be sufficient to accomplish all of the Partnership's proposed objectives and there is no assurance that alternative financing will be available.

The U.S. Partnership

The U.S. Partnership intends that the portion of the Available Funds of the Offering used to provide Loans to the U.S. Partnership and the U.S. Capital Contributions, will be used in the business of acquiring real estate assets in the State of Texas. The U.S. Partnership will pay the Management Fee, the Carried Interest Fee and any other associated management expenses. The U.S. Partnership does not intend to hold any significant cash reserves. The proceeds of this Offering may not be sufficient to accomplish all of the U.S. Partnership's proposed objectives and there is no assurance that alternative financing will be available.

2.7 MATERIAL AGREEMENTS

The Trust

The only material contracts which have been entered into by the Trust since its formation are:

- the Declaration of Trust (see Item 2.7 - "Material Agreements" - "Summary of the Declaration of Trust");
- Administration Agreement (see Item 2.7 - "Material Agreements" - "Summary of the Administration Agreement"); and
- the Funding Agreement (see Item 2.7 - "Material Agreements" - "Summary of the Funding Agreement").

The Partnership

The only material contracts which have been entered into by the Partnership since its formation are:

- the Partnership Agreement (see Item 2.7 - "Material Agreements" - "Summary of the Partnership Agreement");
- the Funding Agreement (see Item 2.7 - "Material Agreements" - "Summary of the Funding Agreement"); and
- the U.S. Partnership Agreement (see Item 2.7 - "Material Agreements" - "Summary of the U.S. Partnership Agreement").

The U.S. Partnership Agreement

The only material contract which has been entered into by the U.S. Partnership since its formation are:

- the U.S. Partnership Agreement (see Item 2.7 - "Material Agreements" - "Summary of the U.S. Partnership Agreement");
- the Management Agreement (see Item 2.7- Material Agreements" - "Summary of the Management Agreement"; and

- the Joint Venture Agreement (see Item 2.7- Material Agreements" - "Summary of the Joint Venture Agreement").

SUMMARY OF THE DECLARATION OF TRUST

The following is a summary of the Declaration of Trust. This is a summary only and is subject to the complete terms and conditions of the Declaration of Trust.

General

A subscriber for Units will become a Unitholder of the Trust upon the acceptance by the Trustee of a subscription in the form approved from time to time by the Trustee.

Nature of Units

- (a) The beneficial interests in the Trust shall be divided into interests of one class, described and designated as "Trust Units", which shall be entitled to the rights and subject to the limitations, restrictions and conditions set out in the Declaration of Trust, and the interest of each Unitholder shall be determined by the number of Units registered in the name of the Unitholder; and
- (b) Subject to the terms of the Declaration of Trust, each Unit represents an equal undivided beneficial interest in any distribution from the Trust (whether of Income of the Trust, Net Realized Capital Gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up of the Trust. All Units shall rank among themselves equally and rateably without discrimination, preference or priority, whatever may be the actual date or terms of issue thereof. Each Unit shall entitle the holder of record thereof to one vote at all meetings of Unitholders or in respect of any written resolution of Unitholders.

Authorized Number of Units

The aggregate number of Units which is authorized and may be issued under the Declaration of Trust is unlimited.

Issue of Units

- (a) Units shall be issued pursuant to and in accordance with the Declaration of Trust;
- (b) AdminCo is authorized to review and accept subscriptions for Units received by the Trust and to issue Units pursuant thereto;
- (c) in addition, Units may be issued by the Trust at the times, to the persons, for the consideration and on the terms and conditions that AdminCo determines, including pursuant to any Unitholder rights plan, distribution reinvestment plan or any incentive option or other compensation plan established by the Trust, and, without limiting the generality of the foregoing, AdminCo may authorize the Trust to pay a reasonable commission to any person in consideration of such person purchasing or agreeing to purchase Units from the Trust or from any other person or procuring or agreeing to procure purchasers for Units. Without limitation of the foregoing, AdminCo may create and issue rights, warrants (including so-called "special warrants" or "subscription receipts" which may be exercisable for no additional consideration) or options to subscribe for Units which rights, warrants or options or other convertible Securities may be exercisable at such subscription price or prices and at such time or times as AdminCo may determine. The rights, warrants or

options so created may be issued for such consideration or for no consideration, all as AdminCo may determine. A right, warrant or option shall not be a Unit and the holder thereof shall not be a Unitholder; and

- (d) Units shall only be issued as and when fully paid in money, property, including indebtedness, or past services, and are not to be subject to future calls or assessments, except that Units to be issued under an offering may be issued for a consideration payable in instalments and the Trust may take a security interest over such Units for unpaid instalments.

Units Non-Assessable

No Units shall be issued other than as fully paid and non-assessable. No person shall be entitled, as a matter of right, to subscribe for or purchase any Unit, except in accordance with the provisions of the Declaration of Trust.

Legal Ownership of Assets of the Trust

The legal ownership of the assets of the Trust and the right to manage the investments of the Trust are vested exclusively in the Trustee and AdminCo, and the Unitholders shall have no interest therein other than the beneficial interest in the Trust Fund conferred by their Units issued under the Declaration of Trust and they shall have no right to compel any partition, division, dividend or distribution of the Trust Fund or any of the assets of the Trust. The Units shall be personal property and shall confer upon the holders thereof only the interest and rights specifically set forth in the Declaration of Trust. No Unitholder has or is deemed to have any right of ownership in any of the assets of the Trust, including without limitation the Trust Fund.

Rights of Unitholders and Ownership of Assets of the Trust

Except as otherwise expressly provided in the Declaration of Trust, no Unitholder shall be entitled to interfere with, or give any direction to, the Trustee or the Administrator with respect to the affairs of the Trust or in connection with the exercise of any powers or authorities conferred upon the Trustee or the Administrator under the Declaration of Trust. Units shall confer upon the holder or holders thereof only the interest and rights as specifically set forth in the Declaration of Trust.

No Fractional Units

Fractions of Units shall not be issued, except pursuant to distributions of additional Units to all Unitholders. Fractions of Units will not be entitled to vote at meetings of Unitholders.

Consolidation of Units

Immediately after any pro-rata distribution of additional Units to all holders of Units, the number of the outstanding Units will automatically be consolidated such that each such holder will hold after the consolidation the same number of Units as such holder held before the distribution of additional Units and each Unit Certificate representing a number of Units prior to the distribution of additional Units is deemed to represent the same number of Units after the distribution of additional Units and the consolidation. Such consolidation shall not constitute a redemption or cancellation of Units so consolidated and a Unitholder whose Units are consolidated shall not receive, and shall not be entitled to receive, any proceeds of disposition in respect thereof. Notwithstanding the foregoing, where tax is required to be withheld in respect of a Unitholder's share of the distribution, the Trust shall withhold from the cash portion of such distribution, if any, or the Unitholder shall make a cash payment to the Trust, of

an amount equal to the amount of tax required to be remitted to the appropriate taxation authority by the Trust, or, if such withholding cannot be made by the Trust or such payment is not made by the Unitholder:

- (a) the consolidation of the Units held by such Unitholder will result in such Unitholder holding that number of Units equal to the number of Units held by such Unitholder prior to the distribution minus the number of Units withheld by the Trust on account of withholding taxes payable by the Unitholder in respect of the distribution; and
- (b) the consolidation shall not apply to any Units so withheld.

Any Units so withheld shall either be delivered to the appropriate taxation authority or sold, in which case the net proceeds shall be remitted to the appropriate taxation authority. Such Unitholder will be required to surrender the Unit Certificates, if any, representing such Unitholder's original Units, in exchange for a Unit Certificate representing such Unitholder's post-consolidation Units other than the withheld Units.

Distribution Reinvestment and Unit Purchase Plan

Subject to any required regulatory Approvals (and any Unitholder approval imposed by regulatory requirements), AdminCo may, acting in its sole discretion, establish one or more Unitholder rights plans, distribution reinvestment plans, Unit purchase plans, Unit option plans, incentive option plans or other compensation plans at any time and from time to time.

Re-Purchase of Initial Unit by Trust

Immediately after the issuance of one or more additional Units, the Trust shall purchase the Initial Unit from the Initial Unit Holder, and the Initial Unit Holder shall sell the Initial Unit to the Trust, for a purchase price of \$10.00 and, upon the completion of such purchase and sale, the Initial Unit shall be cancelled and shall no longer be outstanding for any of the purposes of the Declaration of Trust. The Trust has re-purchased the Initial Unit as of August 27, 2014.

No Conversion, Retraction, Redemption or Pre-Emptive Rights

Except as otherwise set forth in the Declaration of Trust, there are no conversion, retraction, redemption or pre-emptive rights attaching to the Units.

Power of Attorney

Pursuant to the Declaration of Trust, each Unitholder grants to the Trustee, AdminCo and their respective successors and assigns, a power of attorney constituting the Trustee or AdminCo, as the case may be, with full power of substitution, as such Unitholder's true and lawful attorney to act on the Unitholder's behalf, with full power and authority in the Unitholder's name, place and stead, and to execute, under seal or otherwise, swear to, acknowledge, deliver, make or file or record when, as and where required:

- (a) the Declaration of Trust, any amendment, supplement or restatement of the Declaration of Trust and any other instrument required or desirable to qualify, continue and keep in good standing the Trust as a mutual fund trust;
- (b) any instrument, deed, agreement or document in connection with carrying on the affairs of the Trust as authorized in the Declaration of Trust including all conveyances, transfers and other

documents required in connection with any disposition of Units required by the Declaration of Trust;

- (c) all conveyances, transfers and other documents required in connection with the dissolution, liquidation or termination of the Trust in accordance with the terms of the Declaration of Trust;
- (d) any and all elections, determinations or designations whether jointly with third parties or otherwise, under the Tax Act or any other taxation or other legislation or similar laws of Canada or of any other jurisdiction in respect of the affairs of the Trust or of a Unitholder's interest in the Trust;
- (e) any amendment to the Declaration of Trust which is authorized from time to time as contemplated by the Declaration of Trust; and
- (f) all transfers, conveyances and other documents required to facilitate the acquisition of Units and/or Exchangeable Securities of non-tendering offerees pursuant to the Declaration of Trust.

The Power of Attorney granted under the Declaration of Trust is, to the extent permitted by Applicable Law, irrevocable and will survive the assignment by the Unitholder of all or part of the Unitholder's interest in the Trust and will extend to and bind the heirs, executors, administrators and other legal representatives and successors and assigns of the Unitholder.

Delegation of Powers

Pursuant to the Declaration of Trust:

- (a) except as prohibited by law, the Trustee may grant or delegate to a person or persons such authority as the Trustee may in its sole discretion deem necessary or desirable to effect the actual administration of the duties of the Trustee under the Declaration of Trust. The Trustee shall enter into the Administration Agreement with AdminCo relating to the AdminCo's authority, term of appointment, compensation and any other matters deemed desirable by the Trustee. The Trustee and the Trust shall enter into the Administration Agreement pursuant to which the AdminCo shall be appointed Administrator;
- (b) subject to the provisions of section 5 of the *Trustee Act* (Alberta), the Trustee shall have no liability or responsibility for any matters delegated to the AdminCo or under the Administration Agreement, and the Trustee, in relying upon the AdminCo and in entering into the Administration Agreement, shall be deemed to have complied with its obligations under the Declaration of Trust and shall be entitled to the benefit of the indemnity provided in Declaration of Trust;
- (c) in the event that the Administrator is unable or unwilling to perform its obligations under the Administration Agreement, or there is no Administrator, the Trustee may perform all obligations of the Administrator thereunder or shall be entitled to engage another person that is duly qualified to perform such obligations;
- (d) in carrying out its functions under the Declaration of Trust, the Administrator shall act honestly and in good faith, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and act in good faith in accordance with the intent of the provisions of the Declaration of Trust respecting the relative rights of the Unitholders;

- (e) the Administrator shall be required to notify the Trustee of any defaults under the Declaration of Trust or the Administration Agreement of which it becomes aware. Further, the Administrator shall provide an annual certificate of compliance in a form and substance satisfactory to the Trustee with respect to the satisfaction of its obligations under the Declaration of Trust and the Administration Agreement within 120 days following the calendar year end;
- (f) If the Administrator becomes aware that the beneficial owners of 49% of the Units then outstanding are, or may be, Non-Resident or that the situation is imminent, then the Administrator shall arrange to implement the procedures regarding the limitations on Non-Resident ownership as provided in the Declaration of Trust;
- (g) The Unitholders may remove any Administrator from office, by Extraordinary Resolution at a meeting of Unitholders called for that purpose. A vacancy created by the removal of an Administrator may be filled by Ordinary Resolution of the Unitholders at the meeting of Unitholders at which the Administrator is removed or, if not so filled, shall be filled as set forth in the Declaration of Trust; and
- (h) The Trustee may fill a vacancy of the Administrator without the approval of the Unitholders.

Powers of the Trustee

- (a) Subject to the terms and conditions of the Declaration of Trust, the Trustee may exercise from time to time in respect of the Trust Fund and the investments and affairs of the Trust any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof;
- (b) subject to the specific limitations contained in the Declaration of Trust, the Trustee shall have, without further or other action or consent, and free from any power of control on the part of the Unitholders, full, absolute and exclusive power, control and authority over the Trust Fund and over, and management of, the affairs of the Trust to the same extent as if the Trustee were the sole and absolute beneficial owner of the Trust Fund in its own right, to do all such acts and things as in its sole judgment and discretion are necessary or incidental to, or desirable for, carrying out the trust created by the Declaration of Trust. In construing the provisions of the Declaration of Trust, presumption shall be in favour of the granted powers and authority to the Trustee. The enumeration of any specific power or authority under the Declaration of Trust shall not be construed as limiting the general powers or authority or any other specified power or authority conferred to the Trustee. To the maximum extent permitted by law the Trustee shall, in carrying out investment activities, not be in any way restricted by the provisions of the laws of any jurisdiction limiting or purporting to limit investments which may be made by trustees;
- (c) except as expressly prohibited by law, the Trustee may grant or delegate to any person (including AdminCo) the authority and the powers of the Trustee under the Declaration of Trust as the Trustee may in its discretion deem appropriate, necessary or desirable to carry out and effect the actual management and administration of the duties of the Trustee under the Declaration of Trust, without regard to whether the authority is normally granted or delegated by trustees; and
- (d) the Trustee is authorized under the Declaration of Trust to execute and deliver the Administration Agreement and to appoint AdminCo to act for and on behalf of the Trust in accordance with those powers and authorities granted to AdminCo under the terms of such agreement, and the Trustee may delegate to such person (and in addition to those matters, if any, specifically granted or delegated to AdminCo in the Declaration of Trust) and of those duties of the Trustee under the Declaration of Trust that the Trustee deems appropriate. Without limiting the generality of the

foregoing, the Trustee may grant broad discretion to AdminCo to administer and manage the day-to-day operations of the Trust, to act as agent for the Trust, to execute documents on behalf of the Trust, and to make decisions on behalf of the Trust. The Administrator shall have the powers and duties as may be expressly provided for in the Declaration of Trust and in the Administration Agreement and may be given, without limitation, the power to further delegate management and administration of the Trust, as well as the power to retain and instruct such appropriate experts or advisors to perform those duties and obligations which it is not best suited to perform.

Specific Powers and Authorities of the Trustee

Subject to any other express limitations contained in the Declaration of Trust and in addition to any other powers and authorities conferred by the Declaration of Trust or which the Trustee may have by virtue of any present or future statute or rule of law, but subject to the delegation to AdminCo, the Trustee without any action or consent by the Unitholders shall have and may exercise at any time and from time to time the following powers and authorities which may or may not be exercised by the Trustee in such manner and upon such terms and conditions as it may from time to time determine proper, provided that the exercise of such powers and authorities does not adversely affect the status of the Trust as a "mutual fund trust" for purposes of the Tax Act or cause the Trust to become a "SIFT trust" for purposes of the Tax Act, or fail to comply with the provisions of 132(7) of the Tax Act:

- (a) to supervise the activities and manage the investments and affairs of the Trust;
- (b) to maintain records and provide reports to Unitholders;
- (c) to open, operate and close accounts and other similar credit, deposit and banking arrangements and to negotiate and sign banking and financing contracts and agreements;
- (d) without limit as to amount, issue any type of debt Securities or convertible debt Securities and borrow money or incur any other form of indebtedness for the purpose of carrying out the purposes of the Trust or for other expenses incurred in connection with the Trust and for such purposes may draw, make, execute and issue promissory notes and other negotiable and non-negotiable instruments or Securities and evidences of indebtedness, secure the payment of sums so borrowed or indebtedness incurred and mortgage, hypothecate, pledge, assign or grant a security interest in any money owing to the Trust or in Trust funds or engage in any other means of financing the Trust;
- (e) to obtain security, including encumbrances on assets, to secure the full payment of monies owed to the Trust and the performance of obligations in favour of the Trust, and to exercise all of the rights of the Trust, and to perform all of the obligations of the Trust, under such security;
- (f) to exercise and enforce any and all rights of foreclosure, to bid on property on sale or foreclosure, to take a conveyance in lieu of foreclosure with or without paying a consideration therefor and in connection therewith to revive the obligation on the covenants secured by such security and to exercise and enforce in any action, suit or proceeding at law or in equity any rights or remedies with respect to any such security or guarantee;
- (g) to establish places of business of the Trust;
- (h) to manage the Trust Fund and to, sell, transfer and assign the Trust Fund; however, the Trustee shall not sell all or substantially all of the Trust Fund without the consent of the Unitholders by Extraordinary Resolution;

- (i) to enter into the Administration Agreement;
- (j) to invest, hold shares, trust units, beneficial interests, partnership interests (other than general partnership interests), joint venture interests or other interests in any person necessary or useful to carry out the purpose of the Trust;
- (k) to cause title to any of the Trust assets to be drawn up in the name of such person on behalf of the Trust or, to the extent permitted by Applicable Law, in the name of the Trust, as the Trustee shall determine;
- (l) to determine conclusively the allocation to capital, income or other appropriate accounts of all receipts, expenses and disbursements;
- (m) to enter into any agreement or instrument to create or provide for the issue of Units or (including any firm or best efforts underwriting agreement), to cause such Units to be issued for such consideration as the Trustee, in its sole discretion, may deem appropriate and to do such things and prepare and sign such documents, including the prospectus and any registration rights agreement, to qualify such Units for sale in whatever jurisdictions they may be sold or offered for sale;
- (n) to enter into any agreement in connection with, or to facilitate, the issuance of Exchangeable Securities;
- (o) to determine conclusively the value of any or all of the Trust Fund from time to time and, in determining such value, to consider such information and advice as the Trustee in its sole judgment, may deem material and reliable;
- (p) to collect, sue for and receive all sums of money or other property or items that are believed due to the Trust;
- (q) to effect payment of distributions to the holders of Units as provided in the Declaration of Trust;
- (r) to invest funds of the Trust as provided in the Declaration of Trust;
- (s) if the Trustee become aware by written notice that the beneficial owners of 49% of the Units or Securities exchangeable into Units then outstanding are, or may be, Non-Residents or that such situation is imminent, the Trustee shall obtain such advice as they deem appropriate in order to ascertain the tax and other implications that such level of Non-Resident ownership may have for the Trust and Unitholders and if and to the extent that they determine that such level of Non-Resident ownership would have material adverse tax or other consequences to the Trust or Unitholders, shall ensure that appropriate limitations on Non-Resident ownership as provided in the Declaration of Trust are met;
- (t) to possess and exercise all the rights, powers and privileges pertaining to the ownership of the Securities of the Partnership and other Securities of the Trust to the same extent that any person might, unless otherwise limited in the Declaration of Trust, and, without limiting the generality of the foregoing, to vote or give any consent, request or notice, or waive any notice, either in person or by proxy or power of attorney, with or without power of substitution, to one or more persons, which proxies and powers of attorney may be for meetings or actions generally or for any particular meeting or action and may include the exercise of discretionary power;

- (u) where reasonably required, to engage, employ or contract with or retain on behalf of the Trust any persons as agents, representatives, employees or independent contractors (including, without limitation, investment advisors, registrars, underwriters, accountants, lawyers, appraisers, brokers, consultants, technical advisors, depositories, custodians, transfer agents or otherwise) in one or more capacities;
- (v) except as prohibited by Applicable Law, to delegate any of the powers and duties of the Trustee to anyone or more agents, representatives, officers, employees, independent contractors or other persons the doing of such things and the exercise of such powers as the Trustee may from time to time reasonably require, so long as any such delegation is not inconsistent with any of the provisions of the Declaration of Trust and the Administration Agreement and subject at all times to the general control and supervision of the Trustee as provided for in the Declaration of Trust;
- (w) to engage in, intervene in, prosecute, join, defend, compromise, abandon or adjust, by arbitration or otherwise, any actions, suits, disputes, claims, demands or other litigation or proceedings, regulatory or judicial, relating to the Trust, the assets of the Trust or the Trust's affairs, to enter into agreements therefor, whether or not any suit or proceeding is commenced or claim asserted and, in advance of any controversy, to enter into agreements regarding the arbitration, adjudication or settlement thereof;
- (x) to arrange for insurance contracts and policies insuring the Trust, its assets, any Affiliate of the Trust and/or any or all of the Trustee or the Unitholders, including against any and all claims and liabilities of any nature asserted by any person arising by reason of any action alleged to have been taken or omitted by the Trust or by the Trustee or Unitholders;
- (y) to cause legal title to any of the assets of the Trust to be held by and/or in the name of a Trustee, or except as prohibited by law, by and/or in the name of the Trust or any other custodian or person, on such terms, in such manner, with such powers in such person as the Trustee may determine and with or without disclosure that the Trust or the Trustee is interested therein; provided, however, that should legal title to any of the Trust assets be held by and/or in the name of any person or persons other than the Trustee, the Administrator or the Trust, the Trustee shall require such person or persons to execute a trust agreement acknowledging that legal title to such assets is held in trust for the benefit of the Trust;
- (z) to redeem Units (or rights, warrants, convertible Securities, options or other Securities) for such consideration as the Trustee may deem appropriate in its sole discretion, such redemption to be subject to the terms and conditions of the Declaration of Trust;
- (aa) to use its reasonable commercial efforts to ensure that the Trust qualifies at all times as a "mutual fund trust" pursuant to section 132(6) of the Tax Act and not take any action that would result in the Trust, or any entity in which the Trust has invested being considered a "SIFT trust" or a "SIFT partnership" as defined in the Tax Act;
- (bb) in addition to the mandatory indemnification provided for in section 9.8 of the Declaration of Trust to the extent permitted by law to indemnify, or enter into agreements with respect to the indemnification of, any person with whom the Trust has dealings including, without limitation, the Trustee, AdminCo, the Transfer Agent, to such extent as the Trustee shall determine and to the extent permitted by law;
- (cc) without the approval or confirmation of Unitholders, enact and from time to time amend or repeal by-laws not inconsistent with the Declaration of Trust containing provisions relating to the Trust,

the Trust assets and the conduct of the affairs of the Trust, but not in conflict with any provision of the Declaration of Trust;

- (dd) to pay all taxes or assessments, of whatever kind or nature, whether within or outside Canada, imposed upon or against the Trustee in connection with the Trust assets, undertaking or Income of the Trust, or imposed upon or against the Trust assets, undertaking or Income of the Trust or Net Realized Capital Gains, or any part thereof and to settle or compromise disputed tax liabilities and for the foregoing purposes to make such returns, take such deductions, and make such designations, elections, allocations and determinations in respect of the Income of the Trust or Net Realized Capital Gains distributed to holders of Units in the year and any other matter as shall be permitted under the Tax Act and analogous provisions of any provincial income tax legislation (provided that to the extent necessary the Trustee will seek the advice of Counsel or the Auditors), and do all such other acts and things as may be deemed by the Trustee in its sole discretion to be necessary, desirable or convenient;
- (ee) to guarantee the obligations of any subsidiary of the Trust including the Partnership, and granting security interests in the Trust assets as security for such guarantee;
- (ff) to subdivide or consolidate from time to time the issued and outstanding Units;
- (gg) to provide indemnities for the directors and officers of any Affiliate of the Trust;
- (hh) to form any subsidiary of the Trust for the purpose of making any Permitted Investment and entering into or amending any agreement on such terms as may be approved by the Trustee;
- (ii) to purchase Units for cancellation in accordance with applicable regulatory requirements; and
- (jj) to do all such other acts and things as are incidental to the foregoing, and to exercise all powers which are necessary or useful to carry on the purpose and activities of the Trust, to promote or advance any of the purposes for which the Trust is formed and to carry out the provisions of the Declaration of Trust whether or not specifically mentioned in the Declaration of Trust.
- (kk) The Trustee shall, except as may be prohibited by Applicable Law, have the right to delegate authority for the above-referenced matters to a manager or administrator (including the Administrator under the Administration Agreement) if the Trustee determine in its sole discretion that such delegation is desirable to effect the administration of the duties of the Trustee under the Declaration of Trust.

Fees and Expenses

The Trustee shall be entitled to reimbursement from the Trust of any of its expenses incurred in acting as Trustee. The Trustee on behalf of the Trust may pay or cause to be paid reasonable expenses incurred in connection with the administration and management of the Trust, including without limitation fees and expenses of AdminCo pursuant to the Administration Agreement, auditors, lawyers, appraisers and other agents, consultants and professional advisers employed by or on behalf of the Trust and the cost of reporting or giving notices to Unitholders. The Trustee on behalf of the Trust may pay or cause to be paid brokerage commissions at prevailing rates in receipt of the acquisition and disposition of any Securities acquired or disposed of by the Trust to brokers.

The Trustee shall be paid for its services as Trustee:

- (a) such reasonable compensation as shall be negotiated between AdminCo on behalf of the Trust and the Trustee;
- (b) reimbursement of the Trustee's reasonable out-of-pocket expenses incurred in acting as the Trustee, either directly or indirectly, including the expenses referred to in the Declaration of Trust; and
- (c) fair and reasonable remuneration for services rendered to the Trust in any other capacity, which services may include, without limitation, services as the Transfer Agent.

The Trustee shall, in respect of amounts payable or reimbursable to the Trustee under the Declaration of Trust, have a priority over distributions to Unitholders in respect of amounts payable or reimbursable to the Trustee. Further, in the event the Trustee's fees and expenses are not paid within the time set out in the Trustee's invoice, the Trustee shall be entitled to pay the amounts out of the Trust Fund (or direct AdminCo to pay the amounts out of the Trust Fund).

Computation of Cash Flow of the Trust

The "**Cash Flow of the Trust**", for, or in respect of, any Distribution Period, shall be equal to the sum of:

- (a) all amounts which are received by the Trust for, or in respect of, the Distribution Period, including, without limitation, interest, dividends, distributions, proceeds from the disposition of Securities, returns of capital and repayments of indebtedness, or any other payment;
- (b) the proceeds of any issuance of Units or any other Securities of the Trust, net of the expenses of distribution, and, if applicable, the use of proceeds of any such issuance for investments; and
- (c) all amounts received by the Trust in any prior Distribution Period to the extent not previously distributed; less the sum of:
 - (i) all costs and expenses of the Trust which, in the opinion of the Administrator, may reasonably be considered to have accrued and become owing in respect of, or which relate to, the Distribution Period, or a prior period if not accrued or deducted, in determining the Cash Flow of the Trust in such prior period;
 - (ii) all debt repayments and interest costs and expenses, if any, incurred by the Trust in the Distribution Period;
 - (iii) all costs and expenses of the Trust relating to capital expenditures which, in the opinion of the Administrator, may reasonably be considered to have accrued and become owing during the Distribution Period, or a prior period if not accrued or deducted in such prior period;
 - (iv) all amounts contributed or loaned, or which the Administrator reasonably expects to contribute or loan, to an associate or Affiliate of the Trust; and
 - (v) any other amounts (including taxes) required by law or under the Declaration of Trust to be deducted, withheld or paid by or in respect of the Trust in the Distribution Period.

Computation of Income and Net Realized Capital Gains

- (a) The "**Income of the Trust**" for any taxation year of the Trust shall be the net income for the year determined pursuant to the provisions of the Tax Act (other than subsection 104(6) and paragraph 82(1)(b) of the Tax Act) having regard to the provisions thereof which relate to the calculation of income of a trust, and taking into account such adjustments thereto as are determined by AdminCo in respect of dividends received from taxable Canadian corporations, amounts paid or payable by the Trust to Unitholders and such other amounts as may be determined in the discretion of AdminCo; provided, however, that capital gains and capital losses shall be excluded from the computation of net income; and
- (b) the "**Net Realized Capital Gains**" of the Trust for any taxation year of the Trust shall be determined as the amount, if any, by which the aggregate of the capital gains of the Trust for the year exceeds:
 - (i) the aggregate of the capital losses of the Trust for the year;
 - (ii) any capital gains which are realized by the Trust as a result of a redemption of Units; and
 - (iii) the amount determined by AdminCo in respect of any net capital losses for prior taxation years which the Trust is permitted by the Tax Act to deduct in computing the taxable income of the Trust for the year.

Distribution of Cash Flow of the Trust

The Trustee, with the assistance of AdminCo, may on or before each Distribution Record Date, declare payable to the holders of Units on such Distribution Record Date all or any part of the Cash Flow of the Trust for the Distribution Period which includes such Distribution Record Date. The proportionate share for each Unit of the amount of such Cash Flow of the Trust (or portion thereof declared payable) shall be determined by dividing such amount by the number of issued and outstanding Units on such Distribution Record Date. The share of such Cash Flow of the Trust (or portion thereof declared payable) attributable to each holder of Units shall be an amount equal to the proportionate share for each Unit of the amount of such Cash Flow of the Trust (or portion thereof declared payable) multiplied by the number of Units owned of record by each such holder of Units on such Distribution Record Date. Subject to the Declaration of Trust, Cash Flow of the Trust which has been declared to be payable to holders of Units in respect of a Distribution Period shall be paid in cash on the Distribution Payment Date.

Other Distributions

- (a) In addition to the distributions which are made payable to Unitholders pursuant to the Declaration of Trust, the Trustee may declare to be payable and make distributions to Unitholders of record, from time to time, out of Income of the Trust, Net Realized Capital Gains, the capital of the Trust or otherwise, in any year, in such amount or amounts, and on such record dates as the Trustee may determine with the assistance of AdminCo;
- (b) having regard to the present intention to allocate, distribute and make payable to Unitholders all of the Income of the Trust, Net Realized Capital Gains and any other applicable amounts so that the Trust will not have any liability for tax under Part I of the Tax Act in any taxation year, the following amounts shall be due and payable to Unitholders of record on December 31 in each such year:

- (i) an amount equal to the amount, if any, by which the Income of the Trust for such year exceeds the aggregate of the portions, if any, of each distribution made by the Trust pursuant to the Distribution of Cash Flow of the Trust (as set out above) and subsection (a) above, which have been determined by the Administrator, pursuant to the Declaration of Trust, to have been payable by the Trust out of Income of the Trust for such year; and
 - (ii) an amount equal to the amount, if any, by which the Net Realized Capital Gains of the Trust for such year exceeds the aggregate of the portions, if any, of each distribution made by the Trust pursuant to Distribution of Cash Flow of the Trust (as set out above) and subsection (a) above which have been determined by the Administrator, pursuant to the Declaration of Trust, to have been payable by the Trust out of Net Realized Capital Gains for such year; and
- (c) the proportionate share of each Unit of the amount of any distribution made pursuant to either or both of subsections (a) and (b) above shall be determined by dividing such amount by the number of issued and outstanding Units on the applicable record date in respect of a distribution pursuant to subsection (a) and on December 31 in respect of a distribution pursuant to subsection (b). Each Unitholder's share of the amount of any such distribution shall be an amount equal to the proportionate share of each Unit of such amount multiplied by the number of Units owned of record by each such Unitholder on such applicable record date or December 31 in the year of such distribution, as the case may be. Subject to the Declaration of Trust, amounts which are payable to Unitholders pursuant to either subsections (a) or (b) shall be paid in cash on the Distribution Payment Date which immediately follows the applicable record date in respect of a distribution pursuant to subsection (a) or December 31 in the applicable year in respect of a distribution pursuant to subsection (b) "Character of Distributions and Designations"

In accordance with and to the extent permitted by the Tax Act, AdminCo in each year shall make designations in respect of the amounts payable to Unitholders for such amounts that AdminCo considers to be reasonable in all of the circumstances, including, without limitation, designations relating to taxable dividends received by the Trust in the year on shares of taxable Canadian corporations (or designated in respect of the Trust where the Trust is a beneficiary of another trust), net capital gains realized by the Trust in the year (or designated in respect of the Trust where the Trust is a beneficiary of another trust) and foreign source income of the Trust for the year, as well as elect under subsections 104(13.1) and/or (13.2) of the Tax Act that income be taxed to the Trust, rather than to such Unitholders. Distributions payable to Unitholders pursuant to this section shall be deemed to be distributions of Income of the Trust, Net Realized Capital Gains, trust capital or other items in such amounts as AdminCo shall, in its absolute discretion, determine. For greater certainty, any distribution of Net Realized Capital Gains shall include the non-taxable portion of the capital gains of the Trust, which are encompassed in such distribution.

Enforceability of Right to Receive Distributions

For greater certainty, pursuant to the Declaration of Trust, each Unitholder shall have the legal right to enforce payment of any amount payable to such Unitholder as a result of any distribution, which are payable to such Unitholder pursuant to the Declaration of Trust.

Method of Payment of Distributions

- (a) Where AdminCo determines that the Trust does not have available cash in an amount sufficient to make payment of the full amount of any distribution which has been declared to be payable pursuant to the Declaration of Trust on the due date for such payment, the payment may, at the

option of AdminCo, include the issuance of additional Units, or fractions of Units, if necessary, having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by AdminCo to be available for the payment of such distribution; and

- (b) the value of each Unit which is issued with respect to the above shall be \$1.00 per Unit.

Withholding Taxes

The Trustee may deduct or withhold from distributions payable to any Unitholder all amounts required by law to be withheld from such distribution, whether those distributions are in the form of cash, additional Units or otherwise. In the event of a distribution in the form of additional Units or property other than cash, the Trustee may sell Units or other property of those Unitholders to pay those withholding taxes and to pay all of the Trustee's reasonable expenses with regard thereto and the Trustee shall have the power of attorney of the Unitholder to do so. Any such sale of Units may be made by private sale and upon that sale, the affected Unitholder shall cease to be the holder of those Units. In the event that withholding taxes are exigible on any distribution or redemption amounts distributed under the Declaration of Trust and the Trust was unable to withhold taxes from a particular distribution to a Unitholder or has not otherwise withheld taxes on particular distributions to the Unitholders, the Trust shall be permitted to withhold amounts from other distributions to satisfy the withholding tax obligation. In addition, Non-Resident holders of Units will be required to pay all withholding taxes payable in respect of any distributions in the form of additional Units.

No Liability for Sales

The Trustee or AdminCo shall have no liability whatsoever to any Unitholders and no resort shall be had to the Trust Fund or the Trustee or AdminCo, as the case may be, for satisfaction of any obligation or claim against the Trustee, AdminCo or the Trust in connection with the Trust's sale of Units under any provision of the Declaration of Trust to comply with its statutory obligations to withhold and remit an amount otherwise payable to the Unitholders.

Redemption of Units

Right of Redemption

Each holder of Units shall be entitled to require the Trust to redeem at any time or from time to time at the demand of such holder of Units all or any part of the Units registered in the name of such holder of Units at the prices determined and payable in accordance with the terms and conditions as provided in the Declaration of Trust.

Exercise of Redemption Right

- (a) To exercise a right to require redemption of Units under the Declaration of Trust, a duly completed and properly executed notice requesting the Trust to redeem Units, in a form acceptable to the Trustee, acting reasonably, specifying the identity, capacity or authority of the person giving such notice and number of Units to be so redeemed, shall be sent by a holder of Units to the Trust at the office of the Trustee. The Trustee may request such further information or evidence, as it deems necessary, acting reasonably, to act on such redemption notice; and
- (b) upon receipt by the Trustee on behalf of the Trust of the notice to redeem Units, the holder of Units shall thereafter cease to have any rights with respect to the Units tendered for redemption

(other than to receive the redemption payment therefor unless the redemption payment is not made as provided for in the Declaration of Trust) including the right to receive any distributions thereon which are declared payable to the holders of Units of record on a date which is subsequent to the day of receipt by the Trust of such notice. Units shall be considered to be tendered for redemption on the date that the Trustee has, to its satisfaction, received the notice and other required documents or evidence as aforesaid.

Cash Redemption

- (a) Subject to certain provisions in the Declaration of Trust, upon receipt by the Trustee on behalf of the Trust of the notice to redeem Units in accordance with the Declaration of Trust, the holder of the Units tendered for redemption shall be entitled to receive a price: (i) at any time prior to the Issuance Anniversary of a Unit Certificate(s), an amount that is equal to 85% percent of the Unit Subscription Price paid by the subscriber to this Offering with respect to the Units to be redeemed; and (ii) at any time after the Issuance Anniversary of a Unit Certificate(s), an amount that is equal to 95% percent of the fair market value of the Units to be redeemed, as determined by the Trustee as of the day on which a redemption notice required by the Declaration of Trust is delivered, having reference to financial statements and such other information as AdminCo may consider appropriate (the "**Redemption Price**");
- (b) Subject to certain provisions in the Declaration of Trust, the Redemption Price payable in respect of the Units surrendered for redemption shall be satisfied by way of a cash payment on the last day of the calendar month following the end of the quarter in which the Units were tendered for redemption. Payments made by the Trust of the Redemption Price are conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the former holder of Units unless such cheque is dishonoured upon presentment. Upon such payment, the Trust shall be discharged from all liability to the former holders of Units in respect of the Units so redeemed.

No Cash Redemption in Certain Circumstances

The cash redemption provisions set out in the Declaration of Trust shall not be applicable to Units tendered for redemption by a holder of Units if:

- (a) the total Redemption Price payable by the Trust in respect of such Units and all other Units tendered for redemption in the same quarter exceeds \$75,000 (the "**Quarterly Limit**"); provided that AdminCo may, in its sole discretion, waive such limitation in respect of all Units tendered for redemption in any quarter. Units tendered for redemption in any quarter in which the total amount payable by the Trust exceeds the Quarterly Limit will be redeemed for cash on a pro-rata basis up to the Quarterly Limit and, unless any applicable regulatory Approvals are required, by a distribution *in specie* under sub-section below, on a pro-rata basis, for the balance; or
- (b) the redemption of Units will result in the Trust losing its status as a "mutual fund trust" for the purposes of the Tax Act.

In Specie Redemption

If, pursuant to the Declaration of Trust, the cash redemption provisions (as set out above in subsection (b)) is not applicable to Units tendered for redemption by a holder of Units, then the Trustee shall advise the Unitholders in writing that the Redemption Price for the Units tendered for redemption pursuant to the terms under the heading "Exercise of Redemption Right" above, will be paid in whole or in part by

Redemption Notes, and such Unitholders have 15 Business Days from the date of the Trustee's notice to rescind their redemption. If not rescinded, Unitholders shall be entitled to receive a price per Unit (the "***in specie* Redemption Price**") equal to the Redemption Price, and the *in specie* Redemption Price shall, subject to all necessary regulatory Approvals, be paid and satisfied by the Trust issuing promissory notes ("**Redemption Notes**"). Redemption Notes shall be promissory notes issued in series, or otherwise, by the Trust and issued to redeeming Unitholders in principal amounts equal to the Redemption Price per Unit multiplied by the number of Units to be redeemed and having the following terms and conditions:

- (a) unsecured and bearing interest from and including the issue date of each such note at 5%, payable annually in arrears (with interest after as well as before maturity, default and judgment, and interest on overdue interest at such rate) subject to a maximum term of three (3) years from the date of issue, as determined in the sole discretion of AdminCo, provided that the applicable interest shall be paid annually on December 31 in each year that a Redemption Note is outstanding;
- (b) subordinated and postponed to all senior indebtedness and which may be subject to specific subordination and postponement agreements to be entered into by the Trustee or AdminCo with holders of senior indebtedness;
- (c) subject to earlier prepayment without penalty, being due and payable on the third anniversary of the date of issuance; and
- (d) subject to the other standard terms and conditions as would be included in a promissory note of this kind, as may be approved by AdminCo.

Purchase for Cancellation

The Trust may from time to time purchase for cancellation some or all of the Units (or other Securities of the Trust which may be issued and outstanding from time to time) by private agreement or pursuant to tenders received by the Trust upon request for tenders addressed to all holders of record of Units.

Appointment and Removal of the Trustee

Appointment of Trustee

A person who is appointed the Trustee under the Declaration of Trust, other than the initial Trustee whose consent to act is given by its signature upon the Declaration of Trust, must, either before or after such election or appointment, consent in writing to do so. Upon the later of a person being appointed the Trustee under the Declaration of Trust and executing and delivering to the Trust a consent substantially as set forth in the Declaration of Trust, such person shall become the Trustee under the Declaration of Trust and shall be deemed to be a party (as the Trustee) to the Declaration of Trust, as amended from time to time.

Removal of Trustee

The Unitholders may remove any Trustee from office, by Extraordinary Resolution at a meeting of Unitholders called for that purpose. Notice of such removal shall be provided to the Trustee no less than 15 days prior to the effective date of the removal unless otherwise agreed to in writing. A vacancy created by the removal of a Trustee may be filled by Ordinary Resolution of the Unitholders at the meeting of Unitholders at which the Trustee is removed or, if not so filled, shall be filled as set forth in the Declaration of Trust.

Vacancies

No vacancy of the office of the Trustee shall operate to annul the Declaration of Trust or affect the continuity of the Trust.

Filling Vacancies

AdminCo may fill a vacancy of the Trustee without the approval of the Unitholders.

Restrictions on Trustee's Powers

In respect of any obligations that the Trust is required to assume, AdminCo and Trustee will use their commercially reasonable efforts to ensure that these are in writing and contain provisions to exempt the Unitholders from any liability thereunder and to limit any such liability in respect of the Trust Fund.

Audit, Accounting and Reporting

The Trust's Fiscal Year will be December 31. Annual financial statements consisting of a balance sheet, an income statement and statement of cash flows will be mailed by the Trust to the Unitholders at least 21 days prior to the date of each general meeting of Unitholders, or if no general meeting is to be held in that year within six months of the fiscal year end.

Standard of Care

The Trustee must exercise its powers and carry out its functions under the Declaration of Trust as Trustee honestly, in good faith and in the best interests of the Trust and the Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. Unless otherwise required by law, the Trustee shall not be required to give bond, surety or security in any jurisdiction for the performance of any duties or obligations under the Declaration of Trust. The Trustee, in its capacity as Trustee, shall not be required to devote its entire time to the business and affairs of the Trust.

Conflicts of Interest

Without affecting or limiting the duties and responsibilities or the limitations and indemnities provided in the Declaration of Trust or in the Administration Agreement, the Trustee and AdminCo are expressly permitted to:

- (a) be, or be an associate or an Affiliate of, a person from or to whom assets of the Trust have been or are to be purchased or sold;
- (b) be, or be an associate or an Affiliate of, a person with whom the Trust or AdminCo contracts or deals or which supplies services or extends credit to the Trust or AdminCo or to which the Trust extends credit;
- (c) acquire, hold and dispose of, either for its own account or the accounts of its customers, any assets not constituting part of the Trust Fund, even if such assets are of a character which could be held by the Trust, and exercise all rights of an owner of such assets as if it were not a trustee or AdminCo;

- (d) in the case of the Trustee, carry on its business as a trust company in the usual course while it is the Trustee, including the rendering of trustee or other services to the Trust or to other trusts and other persons for gain; and
- (e) derive direct or indirect benefit, profit or advantage from time to time as a result of dealing with the Trust or the relationships, matters, contracts, transactions, affiliations or other interests stated in this section without being liable to the Trust or any Unitholder for any such direct or indirect benefit, profit or advantage.

In addition to the above provisions, it is acknowledged that the investments of the Trust will include loans to AdminCo, on terms which contemplate AdminCo investing such funds on its own behalf and retaining a portion of the profit made from such investment. AdminCo shall not be liable to account to the Trust, the Trustee or any Unitholder for such profit. Subject to Applicable Laws, none of the relationships, matters, contracts, transactions, affiliations or other interests permitted above shall be, or shall be deemed to be or to create, a material conflict of interest with the Trustee's or AdminCo's duties.

Limitations on Liability of Trustee and Officers

The Trustee, its directors, officers, employees, shareholders and agents shall not be liable to any Unitholder or any other person, in tort, contract or otherwise, in connection with any matter pertaining to the Trust or the Trust Fund, arising from the exercise by the Trustee of any powers, authorities or discretion conferred under the Declaration of Trust, including, without limitation, any action taken or not taken, in good faith in reliance on any documents that are, prima facie, properly executed, any depreciation of, or loss to, the Trust Fund incurred by reason of the sale of any asset, any inaccuracy in any evaluation provided by any other appropriately qualified person, any reliance on any such evaluation, or any action or failure to act (including failure to compel in any way any former Trustee to redress any breach of trust or any failure by AdminCo to perform its duties under the Declaration of Trust or the Administration Agreement), unless such liabilities arise out of the gross negligence, wilful default or fraud of the Trustee or any of its directors, officers, employees or shareholders. If the Trustee has retained an appropriate expert, advisor, or Counsel with respect to any matter connected with its duties under the Declaration of Trust or any other contract, the Trustee may act or refuse to act based on the advice of such expert, advisor, or Counsel, and the Trustee shall not be liable for and shall be fully protected from any loss or liability occasioned by any action or refusal to act based on the advice of any such expert, advisor, or Counsel.

Subject to the standard of care set out in the Declaration of Trust, neither of the Trustee nor any officer, director, employee or agent thereof shall be subject to any liability whatsoever in tort, contract or otherwise, in connection with Trust Fund or the affairs of the Trust, including, without limitation, in respect of any loss or diminution in value of any Trust Fund, to the Trust or to the Unitholders or to any other person for anything done or permitted to be done by the Trustee. The Trustee shall not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Trust arising out of anything done or permitted or omitted to be done in respect of the execution of the duties of the office of Trustee for or in respect to the affairs of the Trust. No property or assets of the Trustee, owned in its personal capacity or otherwise, will be subject to any levy, execution or other enforcement procedure with regard to any obligations under the Declaration of Trust or under any other related agreements. No recourse may be had or taken, directly or indirectly, against the Trustee in its personal capacity. The Trust shall be solely liable therefor and resort shall be had solely to the Trust Fund for payment or performance thereof.

Any liability of the Trustee for, or in respect of, or that arise out of, or result from the Trustee's breach of the Declaration of Trust shall be limited, in the aggregate, to the amount of remuneration paid by the

Trust to the Trustee under the Declaration of Trust in the twelve months immediately before the Trustee first receiving written notice of such liability; provided that the foregoing limitation shall not apply to any liability of the Trustee that arises out of the Trustee's gross negligence, wilful misconduct or fraud.

Liability and Indemnification

The Trustee, its Affiliates and agents and each of their respective directors, officers and employees, shall be fully indemnified and saved harmless out of the Trust in respect of:

- (a) any liability and all costs, charges and expenses sustained or incurred in respect of any action, suit or proceeding that is proposed or commenced against the Trustee for or in respect of any act, omission or error in respect of the Trust and the Trustee's execution of all duties and responsibilities and exercise of all powers and authorities pertaining thereto;
- (b) any liability and all losses, damages, costs, charges and expenses sustained or incurred in respect of any action, suit or proceeding that is proposed or commenced against the Trustee or against such directors, officers, employees, shareholders or agents, as the case may be, for or in respect of AdminCo providing or omitting to provide services to the Trust or otherwise performing obligations under the Administration Agreement or as delegated or otherwise contemplated under the Declaration of Trust;
- (c) all other costs, charges, taxes, penalties and interest in respect of unpaid taxes; and
- (d) all other expenses and liabilities sustained or incurred by the Trustee in respect of the administration or termination of the Trust;

unless any of the foregoing arise out of the gross negligence, wilful default or fraud of the Trustee. This indemnification shall survive the termination of the Trust and the resignation or removal of the Trustee. Notwithstanding any other provision of this Declaration of Trust, and whether such losses or damages are foreseeable or unforeseeable, the Trustee shall not be liable under any circumstances whatsoever for any (a) breach by any other party of Securities law or other rule of any Securities regulatory authority, (b) lost profits, or (c) special, indirect, incidental, consequential, exemplary, aggravated or punitive losses or damages

Transfer of Units

- (a) The right to transfer Units is restricted such that no Unitholder shall be entitled to transfer Units to any person unless the transfer has been approved by AdminCo and AdminCo shall have the power to restrict the transfer of the Units on the books of the Trust without liability to Unitholders or others who are thereby restricted from making a transfer;
- (b) Units shall be transferable on the register or one of the branch transfer registers only by the Unitholders of record thereof or their executors, administrators or other legal representatives or by their agents or attorneys duly authorized in writing, and only upon delivery to the Trust or to the Transfer Agent of the certificate therefor, properly endorsed or accompanied by a duly executed instrument of transfer or power of attorney and accompanied by all necessary transfer or other taxes imposed by law, together with such evidence of the genuineness of such endorsement, execution and authorization and other matters that may reasonably be required by the Transfer Agent, and no transfer of Units shall be effective or shall be in any way binding upon the Trust until the transfer has been recorded on the register or one of the branch transfer registers maintained by the Transfer Agent. Upon such delivery, the transfer shall be recorded on the

register or branch transfer registers and a new certificate for the Units shall be issued to the transferee and a new certificate for the balance of Units not transferred shall be issued to the transferor;

- (c) any person becoming entitled to any Units as a consequence of the death, bankruptcy or mental incompetence of any Unitholder, or otherwise by operation of law, shall be recorded as the holder of such Units (and shall receive a new certificate therefor upon submission of the existing certificate for cancellation) only upon production of satisfactory evidence, but until such record is made the Unitholder of record shall continue to be and be deemed to be the holder of such Units for all purposes whether or not notice of such death or other event has been given; and
- (d) Unit Certificates representing any number or class of Units may be exchanged without charge for Unit Certificates representing an equivalent number and class of Units in the aggregate. Any exchange of Unit Certificates may be made at the offices of the Trust or the Transfer Agent where registers are maintained for Unit Certificates pursuant to the Declaration of Trust. Any Unit Certificates tendered for exchange shall be surrendered to the Trustee or appropriate Transfer Agent and then shall be cancelled.

Limitation on Non-Resident Ownership

It is in the best interest of Unitholders that the Trust always qualifies as a "mutual fund trust" under the Tax Act and in order to ensure the maintenance of such status:

- (a) if determined necessary or desirable by the Trustee or AdminCo, in its sole discretion, the Trust may from time to time, among other things, take all necessary steps to monitor the activities of the Trust and ownership of the Units. If at any time the Trust or AdminCo becomes aware that the activities of the Trust and/or ownership of the Units by Non-Residents may threaten the status of the Trust under the Tax Act as a "mutual fund trust", the Trust, by or through AdminCo on the Trust's behalf, is authorized to take such action as may be necessary, in the opinion of AdminCo, to maintain the status of the Trust as a "mutual fund trust" including, without limitation, the imposition of restrictions on the issuance by the Trust of Units or the transfer by any Unitholder of Units to a Non-Resident and/or require the sale of Units by Non-Residents on a basis determined by AdminCo and/or suspend distribution and/or other rights in respect of Units held by Non-Residents transferred contrary to the foregoing provisions or not sold in accordance with the requirements thereof;
- (b) in addition to the foregoing provisions, the Transfer Agent may, if determined appropriate by AdminCo, establish operating procedures for, and maintain, a reservation system which may limit the number of Units that Non-Residents may hold, limit the transfer of the legal or beneficial interest in any Units to Non-Residents unless selected through a process determined appropriate by AdminCo, which may either be a random selection process or a selection process based on the first to register, or such other basis as determined by AdminCo. The operating procedures relating to such reservation system shall be determined by AdminCo. Such operating procedures may, among other things, provide that any transfer of a legal or beneficial interest in any Units contrary to the provisions of such reservation system may not be recognized by the Trust;
- (c) unless and until AdminCo has been required to do so under the terms of the Declaration of Trust, AdminCo shall not be bound to do or take any proceeding or action with respect to subparagraph by virtue of the powers conferred on it by the Declaration of Trust. AdminCo shall not be required to actively monitor the foreign holdings of the Trust. AdminCo shall not be liable for

any violation of the non-resident ownership restriction, which may occur during the term of the Trust; and

- (d) AdminCo shall have the sole right and authority to make any determination required or contemplated under the Declaration of Trust. AdminCo shall make all determinations necessary for the administration of the provisions of the Declaration of Trust and, without limiting the generality of the foregoing, if AdminCo considers that there are reasonable grounds for believing that a contravention of the non-resident ownership restriction has occurred or will occur, AdminCo shall make a determination with respect to the matter. Any such determination shall be conclusive, final and binding except to the extent modified by any subsequent determination by AdminCo.

Termination of the Trust

Subject to the other provisions of the Declaration of Trust, the Trust shall continue for a term ending on the earlier of December 31, 2024 and the date which is one day prior to the date, if any, the Trust would otherwise be void by virtue of any applicable rule against perpetuities then in force in Alberta. For the purpose of terminating the Trust by such date, the Trustee shall commence to wind-up the affairs of the Trust on such date as may be determined by the Trustee, being not more than two years prior to the end of the term of the Trust.

The Unitholders may vote by Extraordinary Resolution to terminate the Trust at any meeting of Unitholders duly called for such purpose, following which the Trustee shall commence to wind-up the affairs of the Trust (and shall thereafter be restricted to only such activities). Such Extraordinary Resolution may contain such directions to the Trustee as the Unitholders determine.

Forthwith upon being required to commence to wind-up the affairs of the Trust, the Trustee shall give notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Units for cancellation and the date at which the registers of Units shall be closed.

After the date on which the Trustee is required to commence to wind-up the affairs of the Trust, the Trustee shall undertake no activities except for the purpose of winding-up the affairs of the Trust and, for this purpose, the Trustee shall continue to be vested with and may exercise all or any of the powers conferred upon the Trustee under the Declaration of Trust.

General and Special Meetings of Unitholders

- (a) General meetings of the Unitholders shall be called, at a time and at a place in Canada set by the Administrator. A general meeting of the Unitholders shall be called within 36 months of effective date of the Declaration of Trust, and thereafter within 36 months of the previous general meeting. The business transacted at such meetings shall include the presentation of the financial statements of the Trust for the preceding Fiscal Years, the appointment of Auditors for the ensuing years, and the transaction of such other business as Unitholders may be entitled to vote upon as provided in the Declaration of Trust or as the Administrator may determine or as may be properly brought before the meeting;
- (b) special meetings of the Unitholders may be called by either the Administrator or the Trustee at any time and for any purpose;

- (c) Unitholders holding in the aggregate not less than 5% of all votes entitled to be voted at a meeting of Unitholders may requisition the Trustee to call a special meeting of Unitholders for the purposes stated in the requisition. The requisition shall:
- (i) be in writing;
 - (ii) set forth the name and address of, and number of Units and Exchangeable Securities (and votes attached thereto which, in the aggregate, must not be less than 5% of all votes entitled to be voted at a meeting of Unitholders) held by each person who is supporting the requisition; and
 - (iii) shall state in reasonable detail the business to be transacted at the meeting and shall be sent to the Trustee. Upon receiving a requisition complying with the foregoing, the Trustee shall call a meeting of Unitholders to transact the business referred to in the requisition, unless:
 - (A) a record date for a meeting of Unitholders has been fixed;
 - (B) the Administrator or the Trustee has called a meeting of Unitholders and has given notice thereof pursuant to the terms of the Declaration of Trust; or
 - (C) in connection with the business as stated in the requisition:
 - (1) it clearly appears that a matter covered by the requisition is submitted by the Unitholder primarily for the purpose of enforcing a personal claim or redressing a personal grievance against the Trust, the Trustee, the Administrator or the Unitholders, or primarily for the purpose of promoting general economic, political, religious, social or similar causes or primarily for a purpose that does not relate in a significant way to the business or affairs of the Trust;
 - (2) the Trust, at the Unitholder's request, had previously included a matter substantially the same as a matter covered by the requisition in an information circular relating to a meeting of Unitholders held within 36 months preceding the receipt of such requisition and the Unitholder failed to present the matter, in person or by proxy, at the meeting;
 - (3) substantially the same matter covered by the requisition was submitted to Unitholders in an information circular relating to a meeting of Unitholders held within 36 months preceding the receipt of such requisition and the matter covered by the requisition was defeated; or
 - (4) the rights conferred by this section of the Declaration of Trust are being abused to secure publicity;
- (d) if the Trustee does not, within 90 days after receiving the requisition, call a meeting (except where the grounds for not calling the meeting are one or more of those set forth in subsection (C))

above), any Unitholder who signed the requisition may call the meeting in accordance with the provisions of this section, *mutatis mutandis*;

- (e) meetings of Unitholders shall be held in Edmonton, Alberta, or at such other place in Canada as the Administrator shall designate;
- (f) the chair of any general or special meeting shall be a person designated by the Administrator for the purpose of such meeting;
- (g) the Trustee, the Administrator, the Auditors and any other person approved by the Administrator or the chair of the meeting may attend meetings of the Unitholders;
- (h) any person entitled to attend a meeting of Unitholders may participate in the meeting, subject to and in accordance with applicable Securities laws, if any, by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, if the Trust makes available such a communication facility. A person participating in a meeting by such means is deemed for the purposes of the Declaration of Trust to be present at the meeting; and
- (i) if the Administrator, the Trustee or the Unitholders call a meeting of Unitholders pursuant to the Declaration of Trust, the Administrator, the Trustee or Unitholders, as the case may be, may determine that the meeting shall be held, subject to and in accordance with applicable Securities laws, if any, entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting.

Resolutions Binding the Trustee

In addition to any other provisions set forth in the Declaration of Trust requiring the approval of Unitholders in respect to certain matters, or as a condition precedent to taking certain actions set forth below:

- (a) the Trustee shall not, without the approval of the Unitholders by Extraordinary Resolution, sell, lease, exchange or transfer all or substantially all of the Trust Fund other than:
 - (i) pursuant to *in specie* redemptions permitted under the Declaration of Trust, or
 - (ii) in order to acquire in connection with pursuing the purpose of the Trust Securities of the Partnership;
- (b) the following matters must be approved by a majority of the directors of the Administrator:
 - (i) a change to the Administration Agreement or any extension thereof; and
 - (ii) the terms of any agreement entered into by the Trust, or any of its Affiliates, with AdminCo or any Affiliate thereof; and
- (c) Unitholders shall also be entitled to pass resolutions that will bind the Trust only with respect to the following matters in accordance with the Declaration of Trust:
 - (i) the removal of the Trustee;
 - (ii) the removal of the Administrator;

- (iii) the approval or removal of Auditors;
- (iv) the termination of the Trust; and
- (v) the ratification of any Unitholder rights plan, distribution reinvestment plan, Unit purchase plan, Unit option plan, incentive option plan or other compensation plan requiring Unitholder approval.

Except with respect to the above matters set out above, no action taken by the Unitholders or any resolution of the Unitholders at any meeting shall in any way bind the Trustee. Any action taken or resolution passed in respect of any matter on which Unitholder approval is required under the Declaration of Trust shall be by Extraordinary Resolution, unless the contrary is otherwise expressly provided under any specific provision of the Declaration of Trust.

Voting Rights of Unitholders

Only Unitholders of record shall be entitled to vote and each Unit shall entitle the holder or holders of that Unit on a poll vote at any meeting of Unitholders to the voting rights set out in the Declaration of Trust. Every question submitted to a meeting shall, unless a poll vote is demanded, be decided by a show of hands vote, on which every person present and entitled to vote shall be entitled to one vote. At any meeting of Unitholders, any holder of Units entitled to vote thereat may vote by proxy and a proxyholder need not be a Unitholder, provided that no proxy shall be voted at any meeting unless it shall have been received by the Transfer Agent for verification at least 24 hours prior to the commencement of such meeting, or such lesser time as the chairman of the meeting may allow. When any Unit is held jointly by several persons, any one of them may vote at any meeting in person or by proxy in respect of such Unit, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote purporting to be executed by or on behalf of a Unitholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger.

Amendments to the Declaration of Trust

The provisions of the Declaration of Trust, except where specifically provided otherwise, may only be amended by Extraordinary Resolution; provided that the provisions of the Declaration of Trust may also be amended by the Trustee with the approval of AdminCo without the consent, approval or ratification of the Unitholders or any other person at any time:

- (a) for the purpose of ensuring continuing compliance with Applicable Laws, regulations or policies of any Governmental Authority having jurisdiction over the Trustee or the Trust;
- (b) in a manner which, in the opinion of AdminCo, provides additional protection for the Unitholders or to obtain, preserve or clarify the provision of desirable tax treatment to the Unitholders;
- (c) ensuring that the Trust will satisfy the provisions of the Tax Act with respect to retaining its qualification as a "mutual fund trust", pursuant to subsection 132(6) of the Tax Act, as the Tax Act may be amended from time to time;
- (d) to ensure that the Trust is not considered a "SIFT trust" as defined in the Tax Act;
- (e) in a manner which, in the opinion of the Trustee supported by opinion of Counsel, is necessary or desirable as a result of changes in Canadian taxation laws;

- (f) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of AdminCo, necessary or desirable and not prejudicial to the Unitholders; or
- (g) to change the status of, or the laws governing, the Trust which, in the opinion of AdminCo supported by opinion of Counsel, is desirable in order to provide Unitholders with the benefit of any legislation limiting their liability,

but notwithstanding the foregoing, no such amendment shall modify the voting rights of any Unit or reduce the fractional undivided interest in the assets of the Trust represented by any Unit without the consent of the holder of such Unit, and no amendment shall reduce the percentage of votes required to be cast at a meeting of the Unitholders for the purpose of amending the Declaration of Trust without the consent of the holders of all of the Units then outstanding.

SUMMARY OF THE ADMINISTRATION AGREEMENT

Pursuant to the terms of the Administration Agreement, AdminCo will provide administrative and support services to, and be responsible for the management and general administration of the affairs of the Trust, including without limitation the following:

- (a) undertake any matters required by the terms of the Declaration of Trust to be performed by the Trustee, which are not otherwise delegated therein or in the Administration Agreement and generally provide all other services as may be necessary or as requested by the Trustee for the administration of the Trust;
- (b) prepare or cause to be prepared all returns, filings and documents and make all determinations necessary for the discharge of the Trustee's obligations under the Declaration of Trust;
- (c) the retention and monitoring, on behalf of the Trustee, of the transfer agent and other organizations serving the Trust;
- (d) the authorization and payment on behalf of the Trust of operation expenses incurred on behalf of the Trust and the negotiation of contracts with third party providers of services (including, but not limited to, transfer agents, legal counsel, auditors and printers);
- (e) the provision of office space, telephone, office equipment, facilities, supplies and executive, secretarial and clerical services;
- (f) dealing with: (i) banks and other institutional lenders, including, without limitation, in respect of the maintenance of bank records and the negotiation and securing of bank financing or refinancing of one or more credit or debt facilities, or other ancillary facilities; (ii) any and all other arrangements for the borrowing of funds in any manner whatsoever; and (iii) the grant or issue of covenants, guarantees and/or security of any nature whatsoever to ensure or secure any such facilities or other arrangements, in respect of the Trust or any entity in which the Trust holds any direct or indirect interest and any amendment, deletion or supplement thereto or termination thereof, including without limitation the execution and delivery of all agreements, indentures and other documents giving effect thereto;
- (g) prepare or cause to be prepared and deliver or cause to be delivered, annual audited financial statements of the Trust, as well as relevant tax information;

- (h) prepare and submit all income tax returns and filings to the Trustee in sufficient time prior to the dates upon which they must be filed so that the Trustee has a reasonable opportunity to review them, execute them and return them to the Administrator, and arrange for their filing within the time required by applicable tax law;
- (i) administer on behalf of the Trust such distribution reinvestment plans and other similar plans as the Trust may establish from time to time;
- (j) compute, determine and make on the Trust's behalf distributions to Unitholders of distributions properly payable by the Trust;
- (k) ensure compliance by the Trust with all applicable Securities legislation;
- (l) prepare on behalf of the Trust any circular or other disclosure document required under applicable Securities legislation with respect to an offer to acquire Securities of another person or in response to an offer to purchase Units;
- (m) prepare and arrange for the distribution of all materials (including notices of meetings and information circulars) in respect of all general and/or special meetings of Unitholders pursuant to the Declaration of Trust;
- (n) prepare or cause to be prepared and provide or cause to be provided to Unitholders on a timely basis all information to which Unitholders are entitled under the Declaration of Trust and under Applicable Laws, including information or proxy circulars, notices, financial reports and tax information relating to the Trust;
- (o) take all steps necessary to complete the issuance of Securities of the Trust, including the preparation of any prospectus or comparable document;
- (p) attend to all administrative and other matters (including making determinations) arising in connection with any redemptions of Units;
- (q) ensure that the Trust elects in the prescribed manner and within the prescribed time under subsection 132(6.1) of the Tax Act to be a "mutual fund trust" within the meaning of that Act since inception, and assuming the requirements for such election are met, monitor the Trust's status as such a mutual fund trust and provide the Trustee with written notice when the Trust ceases or is at risk of ceasing to be such a mutual fund trust;
- (r) undertake, manage and prosecute any and all proceedings from time to time before or in respect of Governmental Authorities on behalf of the Trust; and
- (s) promptly notify the Trustee of any event that might reasonably be expected to have a material adverse effect on the affairs of the Trust.

The Trustee retains the power and authority set out below:

- (a) to effect payments of distributions to Unitholders, including receiving funds and mailing cheques to Unitholders;
- (b) to delegate any or all of the management and administrative powers and duties of the Trustee; and

- (c) to enter into and perform the obligations of the Trust under the Administration Agreement, and any amendments hereto.

AdminCo must exercise the powers and discharge the duties conferred under the Administration Agreement honestly, in good faith and in the best interests of the Trust and the Partnership and exercise the degree of care, diligence and skill that a reasonably prudent trustee in Canada having responsibilities of a similar nature would exercise in comparable circumstances.

Administrative Expenses and Administration Fees

Pursuant to the Administration Agreement, AdminCo will be reimbursed by the Trust, without duplication, for such expenses (including, without limitation, salary, wages and other forms of compensation paid to employees engaged in rendering services under the Administration Agreement, and out-of-pocket expenses (collectively, the "**Expenses**") incurred by AdminCo as are, in the opinion of AdminCo, acting reasonably, reasonably allocable respectively thereto.

AdminCo shall act as the Trust's agent when incurring the Expenses and shall be reimbursed for all such Expenses. AdminCo shall be responsible for calculating the Expenses and allocation thereof, for each month and by the 15th day of the month following the end of such month (or on such other basis as the parties determine, provided that reimbursement shall be not less frequent than annually) shall invoice the Trust in respect of the Expenses by setting out the details of the services provided by the Administrator and the Expenses, and GST incurred by the Administrator in connection therewith. Such amounts shall be payable by the Trust not later than 30 days after such month.

In addition, AdminCo shall be entitled to the payment of a fee from the Trust for the services provided by AdminCo under the Administration Agreement in the amount of \$500 per year plus applicable GST, commencing in 2014, which fee shall be paid by the Trust on or before December 31 of each year during the term of the Administration Agreement.

Pursuant to the Funding Agreement, the Partnership shall pay AdminCo all fees and expenses payable to AdminCo pursuant to the terms of the Administration Agreement.

SUMMARY OF THE FUNDING AGREEMENT

The Partnership and the Trust have entered into the Funding Agreement pursuant to which the Partnership has agreed to pay all costs, fees and Selling Commissions associated with this Offering.

SUMMARY OF THE PARTNERSHIP AGREEMENT

The following is a summary of the Partnership Agreement. This is a summary only and is subject to the complete terms and conditions of the Partnership Agreement.

LP Units

Only the holders of the LP Units are entitled to vote on a resolution to be passed by the holders of LP Units; each LP unit entitles the holder to one vote. The holders of LP Units are entitled to receive, and the General Partner shall, subject to Applicable Law and the terms of the Partnership Agreement, from time to time pay distributions on the LP Units as the General Partner determines. Such distributions will be paid out of money, assets or property of the Partnership, properly applicable to the payment of distributions as applicable.

Limited Liability

- (a) The General Partner is not personally liable for the return of any Capital Contribution made by a Limited Partner to the Partnership.
- (b) Subject to the terms of the Partnership Agreement, the General Partner will not be liable to a Limited Partner for any act, omission or error in judgment taken or made by the General Partner honestly and in good faith in the conduct of the business of the Partnership.
- (c) The General Partner may rely, and is protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.
- (d) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted in reliance upon the opinion (including, without limitation, an opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence will be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.
- (e) The General Partner may exercise any of the powers or authority granted to it by this Agreement and perform any of the duties imposed upon it under the Partnership Agreement either directly or by or through its agents (as contemplated in the Partnership Agreement), and the General Partner is not responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.
- (f) Any standard of care or duty imposed under the Partnership Act or any Applicable Law shall be modified, waived or limited as required to permit the General Partner to act under the Partnership Agreement or any other agreement contemplated by the Partnership Agreement and to make any decision pursuant to the power or authority prescribed in the Partnership Agreement, so long as such action is reasonably believed by the General Partner to be in, or not opposed to, the best interests of the Partnership.

Indemnity

- (a) To the fullest extent permitted by law but subject to the limitations expressly provided in the Partnership Agreement, each General Partner, any former General Partner (a "**Departing Partner**"), any Person who is or was an Affiliate of the General Partner or any Departing Partner, any Person who is or was an officer, director, employee, partner, agent or trustee of the General Partner or any Departing Partner or any such Affiliate, or any Person who is or was serving at the request of the General Partner or any Departing Partner or any such Affiliate as a director, officer, employee, partner, agent or trustee of another Person (collectively, an "**Indemnatee**") is indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities (joint or several), expenses (including, without limitation, legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnatee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as: (i) the General Partner, a Departing Partner or any of their Affiliates; (ii) an officer, director, employee, partner, agent or trustee of the General Partner, any Departing Partner or any of their Affiliates; or (iii) a Person serving at the request of the General Partner,

any Departing Partner or any of their Affiliates as a director, officer, employee, agent or trustee of another Person; provided, that in each case the Indemnatee acted in good faith, in a manner which such Indemnatee believed to be in, or not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement or conviction does not create a presumption that the Indemnatee acted in a manner contrary to that specified above. Any indemnification pursuant to section 8.8 of the Partnership Agreement is to be made only out of the assets of the Partnership.

- (b) To the fullest extent permitted by law, expenses (including, without limitation, legal fees and expenses) incurred by an Indemnatee in defending any claim, demand, action, suit or proceeding are to be, from time to time, advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of an undertaking by or on behalf of the Indemnatee to repay such amount if it is determined that the Indemnatee is not entitled to be indemnified as authorized section 8.8(a) of the Partnership Agreement.
- (c) The indemnification provided by section 8.8(a) of the Partnership Agreement is in addition to any other rights to which an Indemnatee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, both as to actions in the Indemnatee's capacity as: (i) the General Partner, a Departing Partner or an Affiliate thereof, (ii) an officer, director, employee, partner, agent or trustee of the General Partner, any Departing Partner or an Affiliate thereof, or (iii) a Person serving at the request of the General Partner, any Departing Partner or any of their Affiliates as a director, officer, employee, agent or trustee of another Person, and shall continue as to an Indemnatee who has ceased to serve in such capacity and as to actions in any other capacity.
- (d) The Partnership may purchase and maintain insurance (or reimburse the General Partner or its Affiliates for the cost of insurance), on behalf of the General Partner and such other Persons as the General Partner determines, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities, whether or not the Partnership would have the power to indemnify such Person against such liabilities under the provisions of the Partnership Agreement.

Functions and Powers of the General Partner

- (a) The General Partner has:
 - (i) unlimited liability for the debts, liabilities and obligations of the Partnership;
 - (ii) subject to the terms of the Partnership Agreement, and to any applicable limitations set forth in the Partnership Act and applicable similar legislation, the full and exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of the Partnership; and
 - (iii) the full and exclusive right, power and authority to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary for or incidental to carrying out the business of the Partnership.

An action taken by the General Partner on behalf of the Partnership is deemed to be the act of the Partnership and binds the Partnership.

- (b) Notwithstanding any other agreement the Partnership or the General Partner may enter into, all material transactions or agreements entered into by the Partnership must be approved by the board of directors of the General Partner.

Specific Powers and Duties

Without limiting the generality of the foregoing, the General Partner has full power and authority for and on behalf of and in the name of the Partnership to:

- (a) negotiate, execute and perform all agreements which require execution by or on behalf of the Partnership involving matters or transactions with respect to the Partnership's business (and such agreements may limit the liability of the Partnership to the assets of the Partnership, with the other party to have no recourse to the assets of the General Partner, even if the same results in the terms of the agreement being less favourable to the Partnership);
- (b) open and manage bank accounts in the name of the Partnership and spend the capital of the Partnership in the exercise of any right or power exercisable by the General Partner under the Partnership Agreement;
- (c) borrow funds in the name of the Partnership from time to time, from financial institutions or other lenders as the General Partner may determine without limitation with regard to amount, cost or conditions of reimbursement of such loan;
- (d) guarantee the debts, liabilities and obligations of a third party;
- (e) mortgage, charge, assign, hypothecate, pledge or otherwise create a security interest in all or any property of the Partnership now owned or hereafter acquired, to secure any present and future borrowings and related expenses of the Partnership and to sell all or any of such property pursuant to a foreclosure or other realization upon the foregoing encumbrances;
- (f) see to the sound management of the Partnership, and to manage, control and develop all the activities of the Partnership and take all measures necessary or appropriate for the business of the Partnership or ancillary thereto;
- (g) acquire, maintain, improve, upgrade, expand or dispose of the assets of the Partnership from time to time;
- (h) incur all costs and expenses in connection with the Partnership;
- (i) employ, retain, engage or dismiss from employment, personnel, agents, representatives or professionals or other investment participants with the powers and duties upon the terms and for the compensation as in the discretion of the General Partner may be necessary or advisable in the carrying on of the business of the Partnership;
- (j) engage agents or subcontract administrative functions, to assist the General Partner to carry out its management obligations to the Partnership;
- (k) invest cash assets of the Partnership that are not immediately required for the business of the Partnership in investments which the General Partner considers appropriate;

- (l) act as attorney in fact or agent of the Partnership in disbursing and collecting moneys for the Partnership, paying debts and fulfilling the obligations of the Partnership and handling and settling any claims of the Partnership;
- (m) commence or defend any action or proceeding in connection with the Partnership;
- (n) file returns or other documents required by any governmental or like authority;
- (o) retain legal counsel, experts, advisors or consultants as the General Partner considers appropriate and rely upon the advice of such Persons;
- (p) do anything that is in furtherance of or incidental to the business of the Partnership or that is provided for in the Partnership Agreement;
- (q) execute, acknowledge and deliver the documents necessary to effectuate any or all of the foregoing or otherwise in connection with the business of the Partnership;
- (r) obtain any insurance coverage; and
- (s) generally carry out the objectives, purposes and business of the Partnership.

No Person dealing with the Partnership is required to enquire into the authority of the General Partner to do any act, take any proceeding, make any decision or execute and deliver any instrument, deed, agreement or document for or on behalf of or in the name of the Partnership.

The General Partner may insert, and may cause agents of the Partnership to insert, the following clause in any contracts or agreements to which the Partnership is a party or by which it is bound:

"Rockspring Capital Texas Real Estate II LP is a limited partnership formed under the *Partnership Act* (Alberta), a limited partner of which is only liable for any of its liabilities or any of its losses to the extent of the amount that it has contributed or agreed to contribute to its capital and its pro rata share of any undistributed income."

Resignation and Removal of the General Partner

The General Partner may not be removed as general partner of the Partnership, except as follows:

- (a) the occurrence of any of the following events which has not been cured by the General Partner within thirty days of the occurrence thereof:
 - (i) the passing of any resolution of the directors or shareholders of the General Partner requiring or relating to the bankruptcy or the making of any assignment for the benefit of creditors of the General Partner (or the commencement of any act or proceeding in connection with any of the foregoing which is not contested in good faith by the General Partner);
 - (ii) the appointment of a receiver of all or substantially all of the assets and undertakings of the General Partner; or
- (b) the occurrence of any gross negligence, wilful misconduct or fraud on the part of the General Partner,

and the passing of a Special Resolution by the Limited Partners for the removal of the General Partner. Upon the occurrence of any of the preceding events and the passing of a Special Resolution by the Limited Partners for the removal of the General Partner, the General Partner shall be removed as the General Partner of the Partnership effective upon the appointment of a new general partner and acceptance of such appointment. Any such action by the Limited Partners for removal of the General Partner must also provide for the election and succession of a new general partner.

Transfer of LP Units

No Limited Partner may transfer any of the LP Units owned by it except to Persons under the manner expressly permitted in the Partnership Agreement. Any attempted transfer of LP Units made in violation of the Partnership Agreement will be null and void and the General Partner will not approve any transfer of LP Units made in contravention of the Partnership Agreement.

Material Events and Limited Partner Approval

The following powers are only exercisable by Special Resolution passed by the Limited Partners:

- (a) dissolving the Partnership, except as otherwise provided for under section 11.2 (b) of the Partnership Agreement;
- (b) removing the General Partner and electing a new general partner as provided in section 8.12 of the Partnership Agreement;
- (c) amending, modifying, altering or repealing any Special Resolution previously passed by the Limited Partners;
- (d) amending the Partnership Agreement pursuant to section 12.1 of the Partnership Agreement; and
- (e) determining to reconstitute the Partnership under section 11.4 of the Partnership Agreement.

AMENDMENT AND APPROVAL

Amendment Procedures

Except as provided for below under the heading "Amendment by General Partner", all amendments to the Partnership Agreement are to be made in accordance with the following requirements:

- (a) to be valid for the purposes of the Partnership Agreement, each such proposal must contain the text of the proposed amendment; and
- (b) if an amendment is proposed, the General Partner will seek the approval of the Limited Partners by a Special Resolution.

Amendment Requirements

Notwithstanding the provisions of article 12 of the Partnership Agreement, no amendment to the Partnership Agreement may: (i) reduce the term of the Partnership; (ii) give any Person the right to dissolve the Partnership, other than the General Partner's right to dissolve the Partnership with the approval of the Limited Partners by a Special Resolution; or (iii) modify the amendment provisions in article 12 of the Partnership Agreement, without the prior written consent of the General Partner, which consent may be unreasonably withheld.

Amendment by General Partner

Each Limited Partner agrees that the General Partner without the approval of any Limited Partner may amend any provision of the Partnership Agreement, and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

- (a) a change in the name of the Partnership or the location of the principal place of business of the Partnership or the registered office of the Partnership;
- (b) admission, substitution, withdrawal or removal of Limited Partners in accordance with the Partnership Agreement;
- (c) a change that, in the sole discretion of the General Partner, is reasonable and necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership in which the Limited Partners have limited liability under the Applicable Laws;
- (d) a change that, in the sole discretion of the General Partner, is reasonable and necessary or appropriate to enable Partners to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; and
- (e) a change that, in the sole discretion of the General Partner, does not materially adversely affect the Limited Partners in any respect.

Notice of Amendments

The General Partner will notify the Limited Partners in writing of the full details of any amendment to the Partnership Agreement within 30 days of the effective date of the amendment.

Meetings of Limited Partners

The General Partner may call a general meeting of Limited Partners at such time and place as it deems appropriate in its absolute discretion for the purpose of considering any matter set forth in the notice of meeting. In addition, where Limited Partners holding not less than 50% of the outstanding LP Units (the "**Requisitioning Partners**") give notice signed by each of them to the General Partner, requesting a meeting of the Limited Partners and stating the proposed business to be transacted at the meeting in reasonable detail sufficient to give valid notice, the General Partner will, within 45 days of receipt of such notice, convene such meeting, and if it fails to do so, any Requisitioning Partners may convene such meeting by giving notice in accordance with the Partnership Agreement. Every meeting of Limited Partners, however convened, must be conducted in accordance with the Partnership Agreement.

SUMMARY OF THE U.S. PARTNERSHIP AGREEMENT

The following is a summary of the U.S. Partnership Agreement. This is a summary only and is subject to the complete terms and conditions of the U.S. Partnership Agreement.

Rights and Powers of the U.S. Limited Partners

No U.S. Limited Partner shall participate in the management or control of the U.S. Partnership's business, nor shall any U.S. Limited Partner transact any business for the U.S. Partnership, nor shall any U.S. Limited Partner have the power to sign for or bind the U.S. Partnership, said powers being vested solely and exclusively in the U.S. General Partner. Except as expressly provided in the U.S. Partnership

Agreement, or as required by law, the U.S. Limited Partner shall have no right to call meetings of the Partners, nor shall it have the right to participate in any decision affecting the U.S. Partnership or to approve any actions of the U.S. General Partner or the U.S. Partnership. Notwithstanding the above, the U.S. Limited Partner shall have the power to: (i) consult with or advise the U.S. General Partner on any matter, including the business of the U.S. Partnership; (ii) upon the request of the U.S. Limited Partners holding at least 20 percent of the U.S. Partnership Equity Interests made to the U.S. General Partner, call or request a meeting of the U.S. Partners; or (iii) attend or participate in a properly called meeting of the U.S. Partners.

Consent of U.S. Limited Partners

Whenever the consent of a U.S. Limited Partner is required under the U.S. Partnership Agreement or applicable law or is otherwise requested by the U.S. General Partner in connection with any proposed action, the U.S. General Partner shall give notice of such proposed action to the U.S. Limited Partner. If after 21 days a U.S. Limited Partner has not objected to the taking of such action by delivering proper notice of its objection to the U.S. General Partner, such U.S. Limited Partner will be deemed to have consented to the taking of the action. The foregoing shall not apply in the case of an Event of Withdrawal of a sole U.S. General Partner as described in section 11.02(a)(ii) of the U.S. Partnership Agreement. In that event, the U.S. General Partner will be required to give notice of the Event of Withdrawal as provided in section 11.02(a)(ii), but the U.S. Limited Partner must itself affirmatively elect to continue the U.S. Partnership business and appoint a substitute U.S. General Partner. Notwithstanding anything contained in the U.S. Partnership Agreement to the contrary, once the U.S. General Partner has received the requisite number of votes to take any action, then the U.S. General Partner can take such action even if the 14-day period has not expired.

Limitation of Liability.

Notwithstanding anything elsewhere in the U.S. Partnership Agreement to the contrary:

- (a) No U.S. Limited Partner shall be liable for any debts, liabilities, contracts, or any other obligations of the U.S. Partnership, except to the extent specified in section 153.103 of the TBOC where, contrary to section 6.01 of the U.S. Partnership Agreement, a U.S. Limited Partner is determined by a final and nonappealable decision of a court of competent jurisdiction to have participated in the control of the U.S. Partnership's business.
- (b) No U.S. Limited Partner shall be liable to the U.S. Partnership or its creditors for an amount in excess of the amount of U.S. Capital Contributions such U.S. Limited Partner is obligated to make to the U.S. Partnership pursuant to section 5.01 of the U.S. Partnership Agreement, and no U.S. Limited Partner shall be required to lend any funds to the U.S. Partnership.
- (c) No U.S. Limited Partner shall be liable to repay to the U.S. Partnership, any U.S. Partner or any creditor of the U.S. Partnership all or any portion of any negative balance of such U.S. Limited Partner's U.S. Capital Account..

Indemnity

The U.S. General Partner, its officers and managers (collectively, the "GP") shall have no liability to the U.S. Partnership or any U.S. Partner for any loss suffered by the U.S. Partnership which arises out of any action or inaction by such GP if such GP, in good faith, determined that such course of conduct was in the best interests of the U.S. Partnership, and if such course of conduct was not the result of such GP's breach of fiduciary duties, or willful or intentional misconduct. Further, to the full extent permitted by TBOC,

the U.S. Partnership shall indemnify and hold harmless the GP from any claim, cause of action, cost, loss, damage, or liability, including, but not limited to, reasonable attorneys' fees and expenses incurred by it by reason of any act performed by such GP on behalf of the U.S. Partnership or in furtherance of the U.S. Partnership's interest or by reason of being a GP except if due to breach of fiduciary duties, or willful or intentional misconduct by such GP; provided, however, if (a) a GP is found liable to the U.S. Partnership due to a breach of fiduciary duties, or willful or intentional misconduct by such GP, or (b) the GP is found liable on the basis that such GP improperly received a benefit, the Partnership shall not indemnify and hold harmless such GP.

Rights, Powers, Duties, and Obligations of the U.S. General Partner.

- (a) Subject to the terms of the U.S. Partnership Agreement and the TBOC, (i) the business and affairs of the U.S. Partnership and the business shall be managed by the U.S. General Partner, and (ii) the U.S. General Partner shall have the authority and the responsibility for the supervision and management of the day-to-day operation of the business in accordance with and as limited by this Agreement. Except as specifically limited in the U.S. Partnership Agreement, it is intended that the U.S. General Partner shall have the authority, right, power, duty, and obligation to make the decisions and take the actions necessary in connection with planning, developing, operating, and maintaining the business, to effectuate the purposes of the U.S. Partnership and to exercise all rights and powers generally inferred or conferred by the TBOC or by other law to a general partner.
- (b) The U.S. General Partner shall, except as otherwise provided in the U.S. Partnership Agreement, have all of the rights and powers and shall be subject to all of the restrictions and liabilities of a partner in a partnership without limited partner. Except as otherwise expressly provided herein, the U.S. General Partner may sign any deeds, bills of sale, notes, mortgages, security agreements, contracts, leases, guaranties, indemnities, property management agreements, concession agreements, and other agreements or instruments or documents on behalf of the U.S. Partnership which the U.S. General Partner deems appropriate. Any documents executed by the U.S. General Partner on behalf of the U.S. Partnership may be relied upon by any Person as duly authorized hereunder and conclusively binding upon and enforceable against the U.S. Partnership. In connection therewith, no Person dealing with the U.S. Partnership will be required to inquire or obtain any consent or other documentation as to the authority of the U.S. General Partner to take any action or to exercise any rights or powers permitted or allowed under the U.S. Partnership Agreement

Enumerated Powers

Without limiting the generality of the foregoing, the U.S. General Partner shall, except as provided and limited in the U.S. Partnership Agreement, have full power to:

- (a) except as otherwise provided in the U.S. Partnership Agreement, execute any and all agreements, contracts, documents, certificates and instruments necessary for the acquisition, construction, development, maintenance, operation and, ultimately, the sale of the U.S. Partnership's property, and the efficient conduct and operation of the U.S. Partnership's business, including any amendments to any such agreements, contracts, documents, certifications and instruments;
- (b) except as otherwise provided in U.S. Partnership Agreement, borrow money and issue evidences of indebtedness necessary or incidental to the accomplishment of the purposes of the U.S. Partnership, and to secure the same by mortgage, pledge or other lien on the assets of the U.S. Partnership, including, without limitation any indebtedness incurred to:

- (i) enable the U.S. Partnership to satisfy its obligations arising in the normal course of its business, to make payments of principal, interest, premium or penalty on any debt of the U.S. Partnership, or otherwise carry out the purposes of the U.S. Partnership; and
 - (ii) refinance or modify (and thereafter further refinance or modify) any indebtedness of the U.S. Partnership;
- (c) except as otherwise provided in the U.S. Partnership Agreement to the extent that funds of the Partnership are available, prepay in whole or in part, refinance or fix the interest rate on, any indebtedness of the Partnership, or modify or extend any indebtedness of the U.S. Partnership, and in connection therewith to execute any extensions, modifications or renewals of debt obligations;
- (d) subject to the restrictions in section 7.01(c) of the U.S. Partnership Agreement, employ agents, attorneys, accountants, engineers, appraisers, or other consultants or contractors who may be a U.S. General Partner, or any one of their Affiliates;
- (e) to the extent that funds of the U.S. Partnership are available, perform or cause to be performed the U.S. Partnership's obligations, and engage in any kind of activity and perform and carry out contracts of any kind necessary to, or in connection with, or incidental to the accomplishment of the purposes of the U.S. Partnership as set forth in section 2.05 of the U.S. Partnership Agreement, as may be lawfully carried on or performed by a partnership under the laws of the State of Texas;
- (f) protect and preserve the title and interest of the U.S. Partnership with respect to the assets of the U.S. Partnership, to collect all amounts due to the U.S. Partnership and otherwise to enforce all rights of the U.S. Partnership and, in that connection, to retain counsel and institute such suits or proceedings, in the name and on behalf of the U.S. Partnership, or, if the U.S. General Partner shall so determine, in the name of any U.S. Partner;
- (g) to the extent that funds of the U.S. Partnership are available, to pay all debts and obligations of the Partnership and to make distributions periodically to the U.S. Partners out of the U.S. Partnership account and in accordance with the provisions of the U.S. Partnership Agreement;
- (h) to the extent that funds of the U.S. Partnership are available, purchase, at the expense of the Partnership, liability and other insurance in such amounts and on such terms as the U.S. General Partner determines is reasonably necessary to protect the assets and business of the U.S. Partnership including particularly liability insurance upon the earlier of the occupancy stabilization period for the nursing home or after the U.S. General Partner provides the liability insurance information to the U.S. Limited Partner, such liability insurance is either approved or disapproved by a Required U.S. Partnership Equity Interest of the U.S. Limited Partner;
- (i) take such actions as the U.S. General Partner determines is advisable or necessary to preserve the tax status of the U.S. Partnership as a partnership for federal income tax purposes;
- (j) to the extent that funds of the U.S. Partnership are available, acquire assets for the purposes of the U.S. Partnership;
- (k) exercise or cause to be exercised all the U.S. Partnership's rights under any agreement to which the U.S. Partnership or any nominee of the U.S. Partnership is a party;

- (l) except as otherwise provided in the U.S. Partnership Agreement, undertake any and all transactions on behalf of the U.S. Partnership which the U.S. General Partner deems necessary or appropriate, in the ordinary course of business of the U.S. Partnership, including but not limited to (A) the incurrence by the U.S. Partnership of any indebtedness of any type or amount and (B) the mortgage, pledge or encumbrance of all or any portion of the assets of the U.S. Partnership.

Restrictions of the U.S. General Partner

- (a) Notwithstanding the provisions of section 7.01 of the U.S. Partnership Agreement, the U.S. General Partner agrees that it shall not and will not have authority to do any of the following on behalf of the U.S. Partnership unless approved in writing by a Required U.S. Partnership Equity Interest of the U.S. Limited Partner:
 - (i) make any distributions to the U.S. Partners other than in the manner provided for in the U.S. Partnership Agreement;
 - (ii) change the nature of the business of the U.S. Partnership or have or permit the U.S. Partnership to enter into any business other than or in addition to that contemplated by the U.S. Partnership Agreement;
 - (iii) change the name of the U.S. Partnership; or
 - (iv) perform any act in contravention of the material provisions of the U.S. Partnership Agreement.

Withdrawal of the U.S. General Partner

Except as provided in Article XI of the U.S. Partnership Agreement, a U.S. General Partner shall not withdraw or attempt to withdraw from the U.S. Partnership, nor shall a U.S. General Partner make any Disposition of any portion of its U.S. Partnership Equity Interest in the U.S. Partnership without the consent of the Required U.S. Partnership Equity Interest of the U.S. Limited Partner.

If, upon an Event of Withdrawal of a U.S. General Partner, there remains at least one U.S. General Partner, (A) the withdrawing U.S. General Partner shall thereupon be deemed to have retired as and ceased to be a U.S. General Partner, and (B) the U.S. Partnership shall be reconstituted and its business continued without being wound up and the remaining U.S. General Partner(s) shall continue the business of the U.S. Partnership.

If, upon an Event of Withdrawal of a U.S. General Partner, there remains no other U.S. General Partner, notice of such Event of Withdrawal shall promptly be sent by such withdrawing U.S. General Partner to the U.S. Limited Partner. In such event, (A) the U.S. Limited Partner shall pay the U.S. General Partner the value of the U.S. Partnership Equity Interest (less damages caused by such withdrawal) and (B) the U.S. Partnership shall be reconstituted and its business continued without being wound up, if the U.S. Limited Partner elects within 90 days of such Event of Withdrawal to continue the business of the U.S. Partnership and to appoint a substitute U.S. General Partner effective as of the Event of Withdrawal of the departing U.S. General Partner. Such substitute U.S. General Partner shall be required to own at least a 0.05 percent U.S. Partnership Equity Interest in the U.S. Partnership, and must otherwise agree to be bound by the terms of the U.S. Partnership Agreement.

If a U.S. General Partner shall cease to be a U.S. General Partner of the U.S. Partnership, it shall be and remain liable for all obligations and liabilities incurred by it as a U.S. General Partner prior to or at the

time such withdrawal shall have become effective, but it shall be free of any obligation or liability incurred after the time such withdrawal shall have become effective.

Restriction on Disposition

No US Partner may dispose of its U.S. Partnership Equity Interest except to Persons under the manner expressly permitted in the U.S. Partnership Agreement. Any attempted Disposition of a U.S. Partner's U.S. Partnership Equity Interest made in violation of the U.S. Partnership Agreement be void and shall not bind the U.S. Partnership or any other U.S. Partner.

Dissolution

The term of the Partnership commenced upon the filing of the Certificate on December 2, 2014 and shall continue until the occurrence of any of the following events of dissolution:

- (a) an Event of Withdrawal of a U.S. General Partner unless the U.S. Partnership is continued pursuant to section 11.02(a) of the U.S. Partnership Agreement;
- (b) the election by a Required U.S. Partnership Equity Interest of the U.S. Partners to dissolve the U.S. Partnership;
- (c) a decree of court;
- (d) the sale or other disposition of all or substantially all of the assets of the U.S. Partnership, after the U.S. Partnership has collected all money and received all other consideration therefore; or
- (e) in accordance with the provisions of TBOC not inconsistent with the U.S. Partnership Agreement.

Amendments

The U.S. Partnership Agreement may be amended upon the written approval of the U.S. General Partner and the U.S. Limited Partner.

SUMMARY OF THE MANAGEMENT AGREEMENT

The following is a summary of the Management Agreement. This is a summary only and is subject to the complete terms and conditions of the Management Agreement.

Appointment as Agent

Subject to the U.S. Partnership Agreement, the Manager is appointed as the agent of the U.S. Partnership for the purposes of making all arrangements, signing all documents and doing all other acts and things that will be necessary for the Manager to provide and perform the Management Services. The U.S. Partnership will be bound by all agreements, documents and acts properly made or taken by the Manager in accordance with the Management Agreement.

Standard of Performance

The Manager must: (a) provide and perform the Management Services to the standard of care, skill and diligence of experienced persons in the same field and in a competent and professional manner; (b) devote sufficient time and attention to the performance of the Management Services; (c) well and faithfully serve the U.S. Partnership; and (d) comply with all applicable rules, laws and regulations of any kind

whatsoever is appointed as the agent of the U.S. Partnership for the purposes of making all arrangements, signing all documents and doing all other acts and things that will be necessary for the Manager to provide and perform the Management Services. The U.S. Partnership will be bound by all agreements, documents and acts properly made or taken by the Manager in accordance with the Management Agreement.

Term

The term of the Management Agreement commenced as of December 2, 2014 and will end upon the effective date of the removal or resignation of Manager under the terms of the Management Agreement.

Services

The Manager shall be responsible for the overall management, financial and business operations of the U.S. Partnership and its business and shall provide the Management Services to the Partnership (see Item 2.2 - "Our Business" - "The U.S. Partnership").

Fees

In consideration for the Management Services the Manager shall be paid the Management Fee by the U.S. Partnership in accordance with the terms of the Management Agreement (see Item 2.2 - "Our Business" - "The U.S. Partnership" - "Management Fees Associated with the Management of the U.S. Partnership").

In consideration for acting as the Manager the U.S. Partnership shall pay the Carried Interest Fee to the Manager in accordance with the terms of the Management Agreement (see Item 2.2 - "Our Business" - "The U.S. Partnership" - "Carried Interest Fee").

Expenses

Except for payments to be made to the managers, officers, employees and agents of the Partnership Manager or as expressly assumed by the Manager, the U.S. Partnership will be responsible for all costs, charges and expenses directly reasonably and properly incurred by the Manager in the performance of the Management Services (see Item 2.2 - "Our Business" - "The U.S. Partnership- Expenses"). The Manager must submit a summary of expenses incurred and any supporting documentation to the U.S. Partnership within 15 days of the end of the calendar month in which the expenses were incurred.

Reimbursement

The U.S. Partnership will reimburse the Manager for all costs, charges and expenses properly incurred by the Manager in the ordinary course of the U.S. Partnership's business and payable by the U.S. Partnership under the Management Agreement and not specifically agreed to be borne by the Manager.

U.S. Partnership Indemnity

The U.S. Partnership will indemnify and save harmless the Manager from and against any and all suits, claims, demands, liabilities, actions, causes of action, costs and expenses in any way arising from or attributable to the performance by the Manager of the Management Services except as arise from or are attributable to the gross negligence or willful misconduct of the Manager, or its managers, officers, agents and employees acting within the scope of their employment.

Partnership Manager Indemnity

The Manager will indemnify and save harmless the U.S. Partnership from and against any and all suits, claims, demands, liabilities, actions, causes of action, costs and expenses which arise from or are attributable to the gross negligence or willful misconduct of the Manager or its managers, officers, agents and employees acting within the scope of their employment, in the performance of the Management Services.

Resignation of the Manager

The Manager may resign at any time by giving 90 days prior written notice to the U.S. Partnership, at any time before the termination or dissolution of the U.S. Partnership Agreement. Despite the foregoing, no resignation shall be effective until the appointment of a successor to the Manager.

Termination of the Manager

The U.S. Partnership may remove the Manager and terminate the Management Agreement upon written notice to the Manager for any of the following reasons:

- (a) if the Manager is declared bankrupt or adjudged insolvent or if the Partnership Manager makes a general assignment for the benefit of its creditors;
- (b) if the Manager otherwise becomes incapable of performing its responsibilities under the Management Agreement;
- (c) if the Manager is found by a court of competent jurisdiction to have been guilty of bad faith, willful misfeasance, gross negligence or reckless disregard of its obligations and duties;
- (d) if the U.S. Partnership is wound up or otherwise terminated in accordance with the terms and conditions of section 11.1 of the U.S. Partnership Agreement.

SUMMARY OF THE JOINT VENTURE AGREEMENT

The following is a summary of the Joint Venture Agreement. This is a summary only and is subject to the complete terms and conditions of the Joint Venture Agreement.

The JV Partnership

The Joint Venture Agreement was entered into by the U.S. Partnership on May 26, 2015. The Joint Venture Agreement forms the JV Partnership. Each of the JV Partners is a related entity to the U.S. Partnership as each JV Partner is managed by Rockspring Capital, L.L.C., the Manager of the U.S. Partnership.

Purpose of the JV Partnership

The purpose of the JV Partnership is to own, manage, operate, acquire, sell, lease, finance, refinance and otherwise deal with those certain tracts or parcels of land containing approximately 10.58 acres lying and being located in Bexar County Texas, as more particularly described on Exhibit "A" of the Joint Venture Agreement (the "**JV Property**") and the other assets of the JV Partnership and to conduct any lawful business relating thereto and to enter into such transaction in connection therewith as determined by unanimous consent of the JV Partners.

The acquisition cost of the JV Property is approximately US\$1.3 million. In accordance with the U.S. Partnership's Percentage Interest the US Partnership will be responsible for \$US650,000 of the acquisition of the JV Property.

Term

The term of the JV Partnership shall continue until the date that the JV Partnership is dissolved pursuant to the TBOC or any provision of the Joint Venture Agreement.

JV Percentage Interest

The JV Percentage Interest of each JV Partner is as set out below:

- U.S. Partnership - 50%
- Rockspring Capital Texas Real Estate Momentum Fund, L.P. - 15%
- RCC #1, L.P.- 25%; and
- Rockspring Capital Texas Real Estate Fund, US, L.P. – 10%

JV Partnership Decisions

All decisions relating to the JV Partnership must be made by unanimous consent of the JV Partners.

Contributions

The JV Partners shall make such contributions to the JV Partnership as may, from time to time, be unanimously agreed upon by the JV Partners.

Allocations

All income, expenses, gains, losses, deductions and credits of the JV Partnership shall be allocated or charged among the JV Partners in accordance with each JV Partner's JV Percentage Interest.

Distributions

After payment of the JV Partnership's liabilities, that portion, if any of the JV Partnership cash funds which are not needed for JV Partnership reserves or operations shall be distributed to the JV Partners in accordance with their respective Percentage Interests.

Dissolution and Termination of the JV Partnership

Except as provided in the Joint Venture Agreement, upon the occurrence of any of the following the JV Partnership will be immediately dissolved:

- (a) the withdrawal, bankruptcy, death, retirement, or insanity of any JV Partner, or the occurrence of any other act that would legally disqualify or impede any JV Partner from acting under the Joint Venture Agreement;
- (b) the express written consent of the all the JV Partners;

- (c) the occurrence of any other circumstance which, by law, would require that the JV Partnership be dissolved under the TBOC; or
- (d) in any event, the expiration of thirty-five years from the date of the Joint Venture Agreement.

ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 COMPENSATION AND SECURITIES HELD

3.1.1 THE TRUST

The following table sets out information about each of the Trustee and the Initial Unitholder and the Administrator:

Name and municipality of principal residence	Position held and date of obtaining that position ⁽¹⁾	Compensation paid by the Trust since inception and the compensation anticipated to be paid in current financial year	Number, type and percentage of Securities of the Trust held after completion of the Minimum Offering	Number, type and percentage of Securities of the Trust held after completion of the Maximum Offering
Fred Munn Edmonton, AB	Initial Unitholder	Nil ⁽²⁾	Nil ⁽³⁾	Nil ⁽³⁾
Computershare Trust Company of Canada Calgary, AB	Trustee	\$12,500 ⁽⁴⁾	Nil	Nil
Rockspring Real Estate AdminCo II Inc. Edmonton, AB	Administrator	\$500 ⁽⁵⁾	Nil	Nil

Notes:

- (1) Each of Fred Munn and the Trustee has held these positions since the establishment of the Trust.
- (2) Mr. Munn may be paid a portion of the Investment Administration Expense.
- (3) The initial Unit issued to Mr. Munn upon formation of the Trust was redeemed by the Trust as of August 27, 2014 in accordance with the terms of the Declaration of Trust n.
- (4) The Trustee will be paid an annual fee for acting as Trustee of the Trust. Pursuant to the Declaration of Trust, Computershare Trust Company of Canada will act as the transfer agent and registrar of the Trust and will be paid a fee of approximately \$15 for each Unit Certificate issued by the Trust.
- (5) AdminCo receives \$500 per year as the Administration Fee pursuant to the terms of the Administration Agreement.

3.1.2 THE GENERAL PARTNER

The following table sets out information about each of the directors and executive officers of the General Partner and each person or entity who, directly or indirectly, beneficially owns or controls 10% or more of any voting shares of the General Partner:

Name and municipality of principal residence	Position held and date of obtaining that position ⁽¹⁾	Compensation paid by the General Partner since inception and the compensation anticipated to be paid in current financial year	Number, type and percentage of Securities of the General Partner held after completion of the Minimum Offering	Number, type and percentage of Securities of the General Partner held after completion of the Maximum Offering
James McAlister, IV ⁽²⁾ Houston TX	Director and President	Nil	Nil	Nil
Fred Munn Edmonton, AB	Director and Secretary	Nil	Nil	Nil
Rockspring Capital, L.L.C. Houston TX	Manager and Shareholder	\$23,125 ⁽³⁾ \$462,500 ⁽⁴⁾	100 Class A Common Shares (100%)	100 Class A Common Shares (100%)
J. Beau Ryan Houston, TX	Director	Nil	Nil	Nil

Notes:

- (1) The directors and officer have held such positions since incorporation of the General Partner.
- (2) Through a holding company, McAlister owns 100% of the issued and outstanding shares in the Manager.
- (3) Represents the Management Fee payable to the Manager based upon the Minimum Offering amount.
- (4) Represents the Management Fee payable to the Manager based upon the Maximum Offering amount.

3.1.3 THE U.S. GENERAL PARTNER

The following table sets out information about each of the managers, advisory managers and executive officers of the U.S. General Partner and each person or entity who, directly or indirectly, beneficially owns or controls 10% or more of any voting shares of the General Partner:

Name and municipality of principal residence	Position held and date of obtaining that position ⁽¹⁾	Compensation paid by the U.S. General Partner since inception and the compensation anticipated to be paid in current financial year	Number, type and percentage of Securities of the U.S. General Partner held after completion of the Minimum Offering	Number, type and percentage of Securities of the General Partner held after completion of the Maximum Offering
James McAlister, IV Houston TX	President and Sole Manager	Nil	100% membership interest	100% membership interest
J. Beau Ryan Houston, TX	Vice President and Secretary	Nil	Nil	Nil
Fred R. Munn Edmonton, AB	Advisory Manager	Nil	Nil	Nil
Douglas Peterson Edmonton, AB	Advisory Manager	Nil	Nil	Nil

Notes:

- (1) The sole manager, advisory managers and officers have held such positions since formation of the U.S. General Partner.

3.2 MANAGEMENT EXPERIENCE OF GENERAL PARTNER

The following table discloses the principal occupations of the directors and executive officers of the Trustee, the directors and executive officers of the General Partner over the past five years:

Name and position	Principal Occupation and Related Experience
James A. McAlister, IV President & Director of the General Partner	Mr. McAlister is the owner of the General Partner and Rockspring Capital L.L.C. Mr. McAlister holds a B.B.A. from the University of Texas. He was previously employed as a commercial real estate broker with CB Richard Ellis, a commercial real estate brokerage company in Houston from 1986 to 1993. He worked with McAlister Company from 1993 to 2001 as a real estate broker and manager. In 2001, Mr. McAlister formed his own wholly-owned real estate brokerage company, McAlister Real Estate Services, Ltd., which company has provided real estate brokerage services primarily to all of the Rockspring Funds.
Fred Munn Secretary and Director of the General Partner	Mr. Munn is a seasoned professional banker, venture capitalist and business management professional with over 20 years of experience. From 1992 until 2008, Mr. Munn held a number of senior roles such as, Senior Operations Manager, Branch Manager and Commercial Business Relationship Manager, with ATB Financial (a regional Alberta-based bank). Mr. Munn managed ATB Edmonton Main Branch for three years, the company's flagship branch with the largest portfolio in excess of \$500 million combined loans and deposits. He led the team to net results of \$65 million growth. As a Commercial Business Relationship Manager, Business Sales & Service, Mr. Munn managed a portfolio of clients in the mid-size market with borrowing requirements up to \$5 million. Mr. Munn is currently the CEO/President of Machlink Corporation and is assisting in the deployment of broadband Internet systems and smart patented programmable video analytics. Prior to his involvement with Machlink Corporation, Mr. Munn ran his venture capital company Goldstone Capital Inc., which acts as the general partner for a limited partnership which has current investments in the gold sector. Mr. Munn has been involved in steering all aspects of operations as well as raising capital and establishing management direction.
J. Beau Ryan Director of General the Partner	Mr. Ryan joined Rockspring in 2007 and is responsible for its operating functions, including cash flow management and budgeting, accounting oversight, human resources and financing. Mr. Ryan is also responsible for communications to investors and reporting on partnership activities to investors. Mr. Ryan's background includes experience in financial analysis, audit, Sarbanes-Oxley, corporate finance and project finance. Mr. Ryan holds a Master of Business in Finance from the University of Houston and a Bachelor of Journalism in Public Relations from the University of Texas.

3.3 MANAGEMENT EXPERIENCE OF U.S. GENERAL PARTNER

The following table discloses the principal occupations of the directors and executive officers of the Trustee, the directors and executive officers of the General Partner over the past five years:

Name and position	Principal Occupation and Related Experience
James A. McAlister, IV President and Sole Manager of the U.S. General Partner	Mr. McAlister is the owner of the General Partner and Rockspring Capital L.L.C. Mr. McAlister holds a B.B.A. from the University of Texas. He was previously employed as a commercial real estate broker with CB Richard Ellis, a commercial real estate brokerage company in Houston from 1986 to 1993. He worked with McAlister Company from 1993 to 2001 as a real estate broker and manager. In 2001, Mr. McAlister formed his own wholly-owned real estate brokerage company, McAlister Real Estate Services, Ltd., which company has provided real estate brokerage services primarily to all of the Rockspring Funds.
J. Beau Ryan Vice President and Secretary of the U.S. General Partner	Mr. Ryan joined Rockspring in 2007 and is responsible for its operating functions, including cash flow management and budgeting, accounting oversight, human resources and financing. Mr. Ryan is also responsible for communications to investors and reporting on partnership activities to investors. Mr. Ryan's background includes experience in financial analysis, audit, Sarbanes-Oxley, corporate finance and project finance. Mr. Ryan holds a Master of Business in Finance from the University of Houston and a Bachelor of Journalism in Public Relations from the University of Texas.
Fred Munn Advisory Manager of the U.S. General Partner	Mr. Munn is a seasoned professional banker, venture capitalist and business management professional with over 20 years of experience. From 1992 until 2008, Mr. Munn held a number of senior roles such as, Senior Operations Manager, Branch Manager and Commercial Business Relationship Manager, with ATB Financial (a regional Alberta-based bank). Mr. Munn managed ATB Edmonton Main Branch for three years, the company's flagship branch with the largest portfolio in excess of \$500 million combined loans and deposits. He led the team to net results of \$65 million growth. As a Commercial Business Relationship Manager, Business Sales & Service, Mr. Munn managed a portfolio of clients in the mid-size market with borrowing requirements up to \$5 million. Mr. Munn is currently the CEO/President of Machlink Corporation and is assisting in the deployment of broadband Internet systems and smart patented programmable video analytics. Prior to his involvement with Machlink Corporation, Mr. Munn ran his venture capital company Goldstone Capital Inc., which acts as the general partner for a limited partnership which has current investments in the gold sector. Mr. Munn has been involved in steering all aspects of operations as well as raising capital and establishing management direction.
Douglas Peterson Advisory Manager of the U.S. General Partner	Douglas currently sits as a director and general counsel for several companies, including environmental and technology companies. Douglas has acted as in-house corporate counsel since 1998. He worked in private practice specializing in corporate commercial law with an emphasis on international business transactions. He has vast experience in international legal and regulatory matters, including commercial law, intellectual property law, international finance and international trade. His experience also covers such day-to-day legal affairs as domestic and international contracts, litigation, employment agreements, and financial and legal restructuring. He is a member of the Alberta Bar and the British Columbia Bar, speaks Japanese, and is a PhD candidate in the Faculty of Law at the University of Niigata in Japan. Douglas is also an instructor at both the School of Business and the Faculty of Law at the University of Alberta, where he lectures on international law, international business transactions, business law, corporate law, international business and Asia-Pacific Rim law.

3.4 PENALTIES, SANCTIONS AND BANKRUPTCY

There is no penalty or sanction that has been in effect during the last ten (10) years, and no cease trade order that has been in effect for a period of more than 30 consecutive days during the last ten (10) years, against any director, executive officer, or control person of the Trustee, the Trust or the General Partner or against an issuer of which any of the foregoing was an executive officer, director or control person at the time.

No declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, has been in effect during the last ten (10) years with regard to any director, executive officer or control person of the Trustee, the Trust or the General Partner or any issuer of which any of the foregoing was an executive officer, director or control person at that time.

ITEM 4 - CAPITAL STRUCTURE

4.1 TRUST'S CAPITAL

The following table sets out the capitalization of the Trust as at the date of this Offering Memorandum, both before and after giving effect to this Offering.

Description of Security	Number Authorized to be Issued	Price Per Security	Number Outstanding as at the date hereof	Number Outstanding After Minimum Offering	Number Outstanding After Maximum Offering
Units	unlimited	\$0.90 per Unit issued on or before October 14, 2014; \$0.95 per Unit issued between October 15, 2014 and January 29, 2015; and \$1.00 per Unit on or after January 30, 2015.	9,069,837 Units ¹	an equivalent number of Units representing gross proceeds of \$500,000	an equivalent number of Units representing gross proceeds of \$25,000,000

Notes:

- (1) 3,729,153 Units were issued at \$0.90 per Unit; 4,092,199 Units were issued at \$0.95 per Unit; and 1,248,485 Units have been issued at \$1.00 per Unit.

4.2 LONG-TERM DEBT

(a) The Trust

As of the date of this Offering Memorandum, the Trust has no debt.

The Partnership

As of the date of this Offering Memorandum, the Partnership has no debt.

The U.S. Partnership

As of the date of this Offering Memorandum, the U.S. Partnership has no debt.

4.3 PRIOR SALES

(a) The Trust

The following table shows the Units issued by the Trust during 12 months preceding the date of this Offering Memorandum.

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price per Security	Total Funds Received
June 23, 2014	Units	1 ⁽¹⁾	\$10.00 per Unit	\$10.00
August 27, 2014	Units	469,970	\$0.90 per Unit	\$422,973.00
September 10, 2014	Units	141,936	\$0.90 per Unit	\$127,742.40
September 30, 2014	Units	507,968	\$0.90 per Unit	\$457,171.20
October 14, 2014	Units	2,573,927	\$0.90 per Unit	\$2,316,534.30
October 31, 2014 ⁽²⁾	Units	35,352	\$0.90 per Unit	\$31,816.80
October 31, 2014	Units	246,219	\$0.95 per Unit	\$233,908.05
November 28, 2014	Units	354,884	\$0.95 per Unit	\$337,139.80
December 15, 2014	Units	645,316	\$0.95 per Unit	\$613,050.20
January 12, 2015	Units	1,029,901	\$0.95 per Unit	\$978,405.95
January 15, 2015	Units	421,052	\$0.95 per Unit	\$399,999.40
January 29, 2015	Units	1,324,717	\$0.95 per Unit	\$1,258,481.15
February 27, 2015 ⁽³⁾	Units	59,510	\$0.95 per Unit	\$56,534.50
February 27, 2015	Units	260,095	\$1.00 per Unit	\$260,095.00
March 16, 2015	Units	429,700	\$1.00 per Unit	\$429,700.00
March 31, 2015	Units	318,190	\$1.00 per Unit	\$318,190.00
April 8 ⁽⁴⁾ , 2015	Units	10,600	\$0.95 per Unit	\$10,070.00
April 14, 2015	Units	240,500	\$1.00 per Unit	\$240,500.00

Notes:

- (1) This was the initial unit issued upon formation of the Trust. This Unit was redeemed by the Trust on August 27, 2014 in accordance with the terms of the Declaration of Trust.
- (2) Although the closing and the issuance of Units occurred on October 31, 2014, the Subscription Agreements with respect to these 35,352 Units were received and accepted by the Trust from the Subscribers on October 14, 2014.
- (3) Although the closing and the issuance of Units occurred on February 27, 2015, the Subscription Agreements with respect to these 59,510 Units were received by the Trust from the Subscribers prior to January 30, 2015.
- (4) Although the closing and the issuance of Units occurred on April 8, 2015, the Subscription Agreements with respect to these 10,600 Units were received by the Trust from the Subscribers prior to January 30, 2015.

The Partnership

The following table shows the limited partnership units issued by the Partnership during 12 months preceding the date of this Offering Memorandum.

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price per Security	Total Funds Received
June 23, 2014	partnership units	1 partnership unit	\$10.00	\$10.00
June 23, 2014	partnership units	1 partnership unit	\$1.00	\$1.00

The U.S. Partnership

The Partnership currently holds a 99.95% U.S. Partnership Equity Interest in the U.S. Partnership and was admitted as a U.S. Limited Partner on December 2, 2014, being the date of the U.S. Partnership's formation. As of the date of this Offering Memorandum, the Partnership has not made any U.S. Capital Contributions in the U.S. Partnership. The U.S. General Partner currently holds a 0.05% U.S. Partnership Equity Interest in the U.S. Partnership. As of the date of this Offering Memorandum the U.S. General Partner has not made any U.S. Capital Contributions in the U.S. Partnership on December 2, 2014, being the date of the U.S. Partnership's formation. There have been no U.S. Capital Contributions made in the 12 months preceding this Offering Memorandum.

ITEM 5 - SECURITIES OFFERED

5.1 TERMS OF SECURITIES

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. Each subscriber must acquire the Minimum Subscription Amount. Each Unit shall entitle the holder thereof to one vote at any meeting of the Unitholders or in respect of any written resolution of Unitholders and represents an equal undivided beneficial interest in any distribution from the Trust (whether of income, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up of the Trust. All Units shall rank among themselves equally and rateably without discrimination, preference or priority, whatever may be the actual date or terms of issue thereof. Each Unit is transferable (subject to the terms of the Declaration of Trust and applicable Securities laws) and is not subject to any conversion or pre-emptive rights and entitles the holder thereof to require the Trust to redeem any or all of the Units held by such holder. See Item 10 - "Resale Restrictions".

The Units do not represent a traditional investment and should not be viewed by investors as "shares" in the Trust. The Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The price per Unit will not be a function of anticipated distributable income from the Trust and the ability of the Trust to effect long-term growth in the value of the Trust. Instead, the value per Unit will be a function of the Trust's ability to generate income and effect long-term growth in the value of the Partnership and other entities now or hereinafter owned, directly or indirectly, by the Trust. See Item 8- "Risk Factors".

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation. Furthermore, the

Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Limited Liability

The Declaration of Trust provides that no Unitholder, in its capacity as such, shall incur or be subject to any liability, direct or indirect, absolute or contingent, in contract or in tort or of any other kind to any person, and no resort will be had to, nor will recourse or satisfaction be sought from, the private property of any Unitholder for any liability whatsoever in connection with the Trust's assets, the obligations or the activities or affairs of the Trust, any actual or alleged act or omission of the Trustee, any transaction entered into by the Trustee or any taxes, levies, imposts or charges or fines, penalties or interest in respect thereof payable by the Trust. In the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder's share of the Trust's assets represented by its Units.

The Declaration of Trust provides that the Trustee, AdminCo, on behalf of the Trust, and the Trust must make all reasonable efforts to include as a specific term of any obligations or liabilities being incurred by the Trust or the Trustee or AdminCo on behalf of the Trust, a contractual provision to the effect that none of the Unitholders, the Trustee or AdminCo shall have any personal liability or obligations in respect thereof. The omission of any such statement shall not render any of such parties liable to any person for such omission.

Notwithstanding the terms of the Declaration of Trust, Unitholders may not be protected from liabilities of the Trust to the same extent a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Trust (to the extent that claims are not satisfied by the Trust) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. See Item 8 - "Risk Factors".

The activities of the Trust and the Partnership, will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the Unitholders for claims against the Trust, including by obtaining appropriate insurance, where available and to the extent commercially feasible, for the operations of the Partnership and having contracts signed by or on behalf of the Trust include a provision that such obligations are not binding upon Unitholders personally.

Distributions

AdminCo shall, on or before each Distribution Record Date, declare payable to the Unitholders on such Distribution Record Date all or any part of the Cash Flow of the Trust for the Distribution Period.

The Declaration of Trust provides that on December 31 of each year, the Trust's income that has not otherwise been distributed will be payable for such amount so that the Trust will not be liable for ordinary income taxes for such year. The Trustee, on behalf of the Trust, will review the Trust's distribution policy from time to time. The actual amount of cash, if any, distributed will be dependent on various economic factors and is at the discretion of the Trustee.

It is currently intended that the Trust will make distributions to Unitholders in the form of additional Units or cash or a combination of Units and cash, as determined by the Trustee, in its sole discretion, from time to time. Any Units issued to Unitholders pursuant to a distribution *in specie* will be subject to resale and transfer restrictions and cannot be resold or transferred except as permitted by applicable Securities law. The Trustee may, in its sole and unfettered discretion, consolidate the Units outstanding immediately after any such distribution of additional Units.

Rights of Redemption

Each holder of Units shall be entitled to require the Trust, on the demand of such holder of Units, to redeem all or any part of the Units registered in the name of such holder of Units at the Redemption Price (See "Item 2.7 - Material Contracts - Summary of Declaration of Trust - Redemption of Units" for the specific terms of Unitholder's rights of redemption).

5.2 SUBSCRIPTION PROCEDURE

An investor who wishes to subscribe for Units must:

1. complete and execute the Subscription Agreement which accompanies this Offering Memorandum as Schedule A, including all applicable exhibits and/or schedules thereto; and
2. pay the subscription price by certified cheque or bank draft dated the date of the subscription in the amount of the applicable Unit Subscription Price for each Unit subscribed for made payable to the Trust or as AdminCo may otherwise direct; and
3. complete and execute any other documents deemed necessary by AdminCo to comply with applicable Securities laws; and
4. and deliver the foregoing to AdminCo at 14920 - 128th Avenue NW, Edmonton, Alberta, T5V 1A6, or such other location AdminCo may specify. If the conditions of closing are not satisfied within the required time, all documents and subscription funds will be returned to the subscribers without interest or deduction.

A Subscriber will become a Unitholder following the acceptance of a Subscription Agreement by AdminCo. If a subscription is withdrawn or is not accepted by AdminCo, all documents will be returned to the Subscriber within thirty (30) days following such withdrawal or rejection without interest or deduction.

The initial closing is expected to be held on or prior to September 30, 2014 and subsequent closings may occur from time to time and at any time on such other dates as AdminCo determines. If subscriptions for \$500,000 are not received and accepted and certain other conditions have not been satisfied or waived on or before selected by AdminCo in its sole discretion, subscriptions and subscription funds will be returned to subscribers without interest or deduction.

The consideration tendered by each Subscriber will be held "in trust" for a period of two days during which period the Subscriber may request a return of the tendered consideration by delivering a notice to the Trust not later than midnight on the second Business Day after the Subscriber signs the Subscription Agreement.

Neither the Trust, the Trustee, AdminCo nor any other Rockspring Party or any Affiliate or associate of the foregoing is responsible for, and undertakes no obligation to, determine the general investment needs and objectives of a potential investor and the suitability of the Units having regard to any such investment needs and objectives of the potential investor.

You should consult your own professional advisors, including the dealing representatives of your representative Exempt Market Dealer, to obtain advice on whether investment in the Units is a suitable for both your general or specific investment needs and objectives.

ITEM 6 - CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

You should consult your own professional advisors to obtain advice on the tax consequences that apply to you.

6.1 GENERAL

In the opinion of Gowling Lafleur Henderson LLP, counsel to the Trust, the following, as of the date of this Offering Memorandum, describes the principal Canadian federal income tax considerations under the Tax Act generally applicable to a Unitholder who acquires the Units pursuant to this Offering and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Trust, holds the Units as capital property, and where the Unitholder is a trust governed by a registered retirement savings plan, a registered retirement income fund or a tax-free savings account (together, the "**Restricted Plans**"), the controlling individual of the Restricted Plan also deals at arm's length with and does not have a "significant interest" in the Trust (all for purposes of the Tax Act). Generally, an individual will have a significant interest in the Trust at any time if the individual, together with other persons and partnerships that do not deal at arm's length with the individual, hold at that time Units that have a fair market value of 10% or more of the fair market value of all the outstanding Units. Generally, Units will be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have the Units, and all other "Canadian securities" (as defined in the Tax Act), owned by such Unitholders, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to Unitholders who are (i) "financial institutions" which are subject to the mark-to-market provisions of the Tax Act, (ii) "specified financial institutions", (iii) partnerships, (iv) persons an interest in which would be a "tax shelter investment", or (v) persons that have elected to determine their Canadian tax results in a foreign currency pursuant to the "functional currency" reporting rules, all within the meaning of the Tax Act. Such holders should consult their own tax advisors. In addition, this summary does not address the deductibility of interest by a holder who has borrowed money or otherwise incurred debt to acquire Units under the Offering.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), current jurisprudence and counsel's understanding, based on publicly available materials, of the current administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"). Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations which may differ significantly from the Canadian federal income tax considerations discussed herein. There can be no assurance that the Proposed Amendments will be enacted in the form publicly announced or at all.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances including the province or territory in which the investor resides or carries on business. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Investors should consult their own tax advisors for advice

with respect to the tax consequences of an investment in Units, based on their particular circumstances.

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Units must be expressed in Canadian dollars. Amounts denominated in another currency must be converted into Canadian dollars based on exchange rates as determined in accordance with the Tax Act.

6.2 STATUS OF THE TRUST

This summary assumes that the Trust will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act and that the Trust has validly elected under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust, the sole undertaking of the Trust must be the investing of its funds in property (other than certain real property or interests in real property), the Trust must comply on a continuous basis with certain requirements relating to the redemption of the Units at the demand of its holder, the qualification of the Units for distribution to the public, the number of Unitholders and dispersal of ownership of Units and the Trust must not be reasonably considered to have been established or maintained primarily for the benefit of non-residents of Canada.

This summary assumes the "investments", within the meaning of the Tax Act, in the Trust are not, and will not be, listed or traded on a stock exchange or other public market. If investments in the Trust are listed or traded on a stock exchange or other public market the Trust may be taxable as a "SIFT trust" under the Tax Act.

If the Trust were not to qualify as a mutual fund trust at all times or the Trust were to become a SIFT trust, the income tax considerations described below would, in some respects, be materially and adversely different.

6.3 TAXATION OF THE TRUST

The taxation year of the Trust is the calendar year. The Trust is subject to tax in each taxation year on its income for the year, including net realized taxable capital gains. The Trust is required to include in computing its income interest income received or receivable (other than interest income previously included in its income) by it from the U.S. Partnership and its share of the income of the Partnership, as more fully described below. The Trust also will be entitled to deduct reasonable current administrative and other expenses that are incurred to earn income.

The Tax Act requires the Trust to compute its income or loss for a taxation year as though it were an individual resident in Canada. If the Trust has any taxable income for a taxation year, taking into account, among other things, the inclusions and deductions outlined above, the existing provisions of the Tax Act permit the Trust to deduct all amounts which are paid or become payable by it to Unitholders in such year. An amount will be considered to be payable in a taxation year if it is paid to the Unitholder in the year by the Trust or if the Unitholder is entitled in the year to enforce payment of the amount. Where the Trust does not have sufficient cash to distribute such amounts in a particular taxation year, the Trust will make one or more in-kind distributions in the form of additional Units. Income of the Trust payable to Unitholders in the form of additional Units generally will be deductible to the Trust in computing its income. It is the current intention of the Trustee to make payable to Unitholders each year sufficient amounts such that the Trust is not liable to pay tax under Part I of the Tax Act; however, no assurances can be made in this regard.

A distribution by the Trust of its property upon a redemption of Units will be treated as a disposition by the Trust of such property for proceeds of disposition equal to the fair market value thereof. The Trust will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of its capital property exceed (or are less than) the adjusted cost base of such property and any reasonable costs of disposition.

In the event the Trust would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it would be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units during the year (the "**capital gains refund**"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Trust's tax liability for the taxation year arising in connection with the transfer of its property to redeeming Unitholders on the redemption of Units. The Declaration of Trust provides that all or a portion of any capital gain or income realized by the Trust in connection with such redemptions may, at the discretion of the Trustee, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming holder. Such income or the taxable portion of the capital gain so designated must be included in the income of the redeeming holder (as income or taxable capital gains) and will be deductible by the Trust in computing its income.

In computing its income, the Trust is required to include its share of the income of the Partnership ending in the taxation year. The adjusted cost base of the Partnership interest held by the Trust will be increased at a particular time by the Trust's share of the amount of income of Partnership for a fiscal year of the Partnership ended before that time, and will be reduced by all distributions of cash or other property made by the Partnership to the Trust before that time. If at the end of any fiscal year of the Partnership, the adjusted cost base of the Partnership interest held by the Trust would otherwise be less than zero, the Trust will be deemed to have realized a capital gain equal to the negative amount and the adjusted cost base of the Partnership interest will be increased by the amount of such deemed capital gain.

6.4 TAXATION OF UNITHOLDERS

6.4.1 Trust Distributions

A Unitholder generally will be required to include in computing its income for a particular taxation year of the Unitholder, as income from property, the portion of the net income of the Trust, including net realized taxable capital gains, that is paid or payable to the Unitholder in that taxation year, whether or not those amounts are received in cash, additional Units or otherwise. Any loss of the Trust for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Unitholder.

Provided that the appropriate designations are made by the Trust, such portion of its net taxable capital gains and foreign source income, as the case may be, shall be treated as such in the hands of the Unitholder for purposes of the Tax Act. Foreign taxes paid by the Partnership will be allocated pursuant to its limited partnership agreement. Each partner's share of the "business-income tax" and "non-business-income tax" paid in a foreign country for a year will be creditable against its Canadian federal income tax liability to the extent permitted by the detailed rules contained in the Tax Act. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

There is now legislation in the Tax Act to address certain foreign tax credit generator transactions (the "**Foreign Tax Credit Generator Rules**"). Under the Foreign Tax Credit Generator Rules, the foreign "business income tax" or "non-business-income tax", each as defined in the Tax Act, for any

taxation year may be limited in certain circumstances, including where a partner's share of the partnership's income under the income tax laws of any country (other than Canada) under whose laws the income of the partnership is subject to income taxation, is less than the partner's share of such income for purposes of the Tax Act. No assurances can be given that the Foreign Tax Credit Generator Rules will not apply to any Unitholder. If the Foreign Tax Credit Generator Rules apply, a Unitholder's foreign tax credits will be limited.

The non-taxable portion of any net realized capital gains of the Trust (currently being one-half thereof) that is paid or payable to a Unitholder in a year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Trust that is paid or payable to a Unitholder in a year generally should not be included in the Unitholder's income for the year. However, such other amount will reduce the adjusted cost base of the Units held by such Unitholder. To the extent that the adjusted cost base of a Unit is less than zero at any time, the Unitholder will be deemed to have realized a capital gain at that time equal to the negative amount and the holder's adjusted cost base of the Units will be increased by the amount of such deemed capital gain.

6.4.2 Disposition of Units

Upon the disposition or deemed disposition of Units by a Unitholder, whether on a redemption or otherwise, the Unitholder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (excluding any amount payable by the Trust which represents an amount that must otherwise be included in the Unitholder's income as described herein) are greater (or less) than the aggregate of the Unitholder's adjusted cost base of the Units immediately before such disposition and any reasonable costs of disposition. The taxation of capitals gains and losses is described under "Capital gains and Capital Losses".

The adjusted cost base to a holder of a Unit for tax purposes acquired pursuant to this Offering generally will include all amounts paid by the holder for the Unit, subject to certain adjustments. The cost of additional Units received in lieu of a cash distribution will be the amount of income of the Trust distributed by the issuance of such additional Units. For purposes of determining the adjusted cost base to a holder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the holder as capital property.

6.4.3 Redemption of Units

A redemption of Units in consideration for cash or other assets of the Trust, as the case may be, will be a disposition of such Units for proceeds of disposition equal to such cash or the fair market value of such other assets, as the case may be, less any income or capital gain realized by the Trust in connection with the redemption of those Units to the extent that such income or capital gain is designated by the Trust to the redeeming holder. Unitholders exercising the right of redemption will consequently realize a capital gain, or capital loss, depending upon whether such proceeds of disposition exceed, or are exceeded by, the adjusted cost base of the Units redeemed. Where income or capital gain realized by the Trust in connection with the distribution of its property on the redemption of Units has been designated by the Trust to a redeeming holder, the holder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any property distributed by the Trust to a holder upon a redemption of Units will be equal to the fair market value of that property at the time of the distribution. The holder will thereafter be required to include in its income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

6.4.4 Capital Gains and Losses

One-half of any capital gain realized by a holder from a disposition of Units and the amount of any net taxable capital gains designated by the Trust in respect of the holder will be included in the holder's income under the Tax Act as a taxable capital gain. One-half of any capital loss (an "**allowable capital loss**") realized on the disposition of a Unit will be deducted against any taxable capital gains realized by the holder in the year of disposition, and any excess of allowable capital losses over taxable capital gains may be carried back to the three preceding taxation years or forward to any subsequent taxation year and applied against net taxable capital gains in those years, subject to the detailed rules contained in the Tax Act.

6.4.5 Alternative Minimum Tax

A Unitholder may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Units and net income of the Trust, paid or payable, or deemed to be paid or payable, to the holder and that is designated as net taxable capital gains.

6.5 QUALIFIED INVESTMENTS FOR DEFERRED PLANS

Provided the Trust qualifies as a mutual fund trust within the meaning of the Tax Act, the Units, when issued, will be a qualified investment under the Tax Act for Deferred Plans and, as such, any distributions paid or payable on Units or gains realized upon a disposition or deemed disposition of Units will not be taxable to Deferred Plans.

Generally, if the Trust does not qualify or ceases to qualify as a mutual fund trust at any time, the Units will not be, or will cease to be, qualified investments for Deferred Plans at that time. Redemption Notes and Trust property received as a result of redemptions of Units may not be qualified investments for Deferred Plans. Where a Deferred Plan acquires a Redemption Note or Trust property that is not a qualified investment, or acquires or holds a Unit that is not, or that ceases to be, a qualified investment, adverse tax consequences may arise to the Deferred Plan and the annuitant, beneficiary or holder (together, an "**annuitant**"), as the case may be, under the Deferred Plan. Accordingly, Deferred Plans that propose to invest in Units should consult their own tax advisors before deciding to purchase Units and again before deciding to exercise their redemption rights attached to such Units.

If at any time the Units are a prohibited investment for a Restricted Plan, the annuitant thereof may be subject to adverse tax consequences. Generally, Units should not be a prohibited investment under the Tax Act for a Restricted Plan, provided that the annuitant (i) deals at "arm's length" with the Trust, and (ii) does not have a "significant interest" in the Trust (all for purposes of the Tax Act). Generally, an annuitant will not have a significant interest in the Trust, provided the annuitant, or the annuitant together with persons and partnerships with whom the annuitant does not deal at arm's length, does not own (nor is deemed to own pursuant to the Tax Act), have an interest in or the right to acquire, directly or indirectly, 10% or more of the issued Units (all for purposes of the Tax Act). In addition, the Units would not be a prohibited investment if the Units are "excluded property" as defined in the Tax Act. Accordingly, prospective purchasers should consult with their own tax advisors as to whether Units would be prohibited investments under the Tax Act in their particular circumstances.

This summary is of a general nature only and is not intended to be and should not be taken as legal, tax or business advice to any particular Subscriber to these Securities. Consequently, Subscribers should seek independent professional advice regarding the income tax consequences of investing in the Securities, based upon their own particular circumstances.

6.6 CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

Circular 230

To comply with U.S. Treasury Department Circular 230, prospective investors are advised that:

- (a) any discussion of U.S. federal tax issues in this Offering Memorandum is not intended or written to be used, and cannot be used, by prospective investors for the purpose of avoiding penalties under the U.S. Internal Revenue Code of 1986, as amended;
- (b) such discussion is being used in connection with the promotion or marketing of the transactions or matters addressed herein; and
- (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor. Prospective investors should consult their own tax advisors regarding the state, local, non-U.S. and other tax consequences to them of the purchase, ownership, and disposition of the Units offered herein.

The following is a summary of certain material U.S. federal income tax considerations applicable to the Trust, the Partnership, and the U.S. Partnership that was prepared by Moodys Gartner Tax Law LLP. This summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units. U.S. alternative minimum tax, and state, local, non-U.S. and U.S. federal non-income tax matters, are not discussed herein. No legal or U.S. tax opinion is being given, nor will any rulings be sought from the Internal Revenue Service ("**IRS**"), with respect to any U.S. federal income tax issue. As a result, there can be no assurance that the IRS will not assert positions contrary to the U.S. federal income tax treatment described herein. U.S. federal income tax consequences that are different from those described in this summary, as a result of a successful challenge by the IRS, could negatively impact the cash available for distribution to the Unitholders and the value of the Units.

This summary does not address all possible U.S. federal income tax considerations applicable to the Trust, the Partnership, or the U.S. Partnership. Further, this summary does not address any U.S. federal tax considerations applicable to Unitholders. This summary is based on the U.S. Internal Revenue Code of 1968, as amended ("**Code**"), and the Treasury Regulations promulgated thereunder, IRS rulings and official pronouncements, judicial decisions, and the Convention between the United States of America and Canada with Respect to Taxes on Income and Capital, signed September 26, 1980, as amended ("**U.S. - Canada Tax Treaty**"), all as in effect on the date of this Offering Memorandum and all of which are subject to change, possibly with retroactive effect, or different interpretations, which could affect the accuracy of the analysis set forth below.

6.6.1 United States Federal Income Taxation of Foreign Corporations

The Partnership will make an election under the applicable Treasury Regulations to be classified as a corporation for U.S. federal tax purposes. Consequently, the Partnership will be considered a "foreign corporation" (i.e. a non-U.S. corporation) for U.S. federal income tax purposes.

A foreign corporation engaged in a U.S. trade or business generally is subject to U.S. federal income tax on income that is "effectively connected" with such U.S. trade or business ("**ECI**") and, under the U.S.-Canada Tax Treaty, is attributable to a permanent establishment maintained by the foreign corporation in the United States. A foreign corporation that is a partner in a partnership engaged in a U.S. trade or business will itself be deemed to be engaged in a U.S. trade or business through a permanent

establishment if the partnership itself has a place of business in the U.S. Income earned from rental operations of U.S. real property by a partnership engaged in such business generally will be ECI with respect to a foreign corporation, as will the income and gain on disposition of such real property.

A foreign corporation will be subject to U.S. federal income tax on its taxable ECI at the regular U.S. federal graduated rates of tax (with the highest corporate tax rate presently at 35%). A foreign corporation's taxable ECI is computed by claiming allowable deductions that are attributable to its effectively connected gross income on a timely filed U.S. federal income tax return. A foreign corporation that derives ECI from a partnership engaged in a U.S. trade or business generally is subject to U.S. federal income tax withholding at the highest applicable rate of tax (presently 35%) under section 1446 of the Code on the income and gains allocable to such foreign corporation as a partner in the partnership, and the foreign corporation is required to file a U.S. federal income tax return to report its allocable share of the partnership income, gains, deductions, losses, and credits. Withheld tax is allowed as a credit in computing the foreign corporation's U.S. tax liability on such return. Furthermore, a foreign corporation with ECI may also be subject to U.S. federal branch profits taxes, as discussed below under "The Branch Profits Tax."

A foreign corporation that owns "United States Real Property Interests" ("USRPI"), including an interest in a partnership that owns U.S. real property as its primary assets, is subject to U.S. federal income tax on gains arising on the sale of such real property or on the sale of such partnership interest, at the graduated rates applicable to corporations under the Foreign Investment in Real Property Tax Act of 1980, encoded at section 897 of the Code ("FIRPTA"). Presently, there is no preferential U.S. federal capital gains tax rate for a foreign corporation on the gain derived on disposition of a USRPI (such as an interest in a partnership owning U.S. real property), or the gain allocated to such foreign corporation on the disposition of U.S. real property by the partnership. Pursuant to FIRPTA, withholding on gains from the disposition of a USRPI is required under section 1445 of the Code; although if withholding is made under the section 1446 rules applicable to income allocable to non-U.S. partners of a partnership engaged in a U.S. trade or business, the FIRPTA withholding rules generally will also be satisfied.

A foreign corporation is also subject to a thirty percent (30%) U.S. withholding tax on certain types of U.S. source income which are not ECI, unless the foreign corporation otherwise establishes an exemption from, or a reduced rate of, withholding under an applicable income tax treaty. These types of income generally include passive income such as dividends, rents (that are not otherwise ECI), interest and royalties, and other "fixed or determinable annual or periodic" income (collectively referred to as "FDAP"). Unless an exception applies, a foreign corporation will be subject to U.S. withholding tax on the gross amount of any FDAP income, and will not be entitled to deductions for any expenses to the extent allocable to FDAP income.

A foreign corporation is also subject to a thirty percent (30%) U.S. withholding tax on certain types of U.S. source income which are not ECI, unless the foreign corporation otherwise establishes an exemption from, or a reduced rate of, withholding under an applicable income tax treaty. These types of income generally include passive income such as dividends, rents (that are not otherwise ECI), interest and royalties, and other "fixed or determinable annual or periodic" income (collectively referred to as "FDAP"). Unless an exception applies, a foreign corporation will be subject to U.S. withholding tax on the gross amount of any FDAP income, and will not be entitled to deductions for any expenses to the extent allocable to FDAP income.

6.6.2 United States Federal Income Taxation of the Trust

The Trust will be classified by default as a foreign corporation for U.S. federal income tax purposes. However, the Trust does not intend to be engaged in a U.S. trade or business nor does it expect to be a

direct member of a partnership or disregarded entity that is engaged in a U.S. trade or business. Therefore, the Trust does not expect to have any ECI that would be subject to U. S. federal income tax.

While the Trust will have U.S. source interest income arising from loans by the Trust to the U.S. Partnership, the rate of U.S. withholding tax on such interest income should be reduced to zero under the U.S. - Canada Tax Treaty. Thus, no U.S. federal income tax liability should arise for the Trust on such interest income. See discussion under "*Debt and Deductions*" below.

United States Federal Income Taxation of the Partnership

As noted, the Partnership will elect under the applicable Treasury Regulations to be treated as a corporation for U.S. federal income tax purposes. The U.S. Partnership, which by default is classified as a partnership for U.S. federal income tax purposes, will not itself be subject to U.S. federal income tax but rather will "flow through" its (and its allocable share from the Acquisition LP's) income, gains, deductions, losses, and credits to the Partnership. The only limited partner in the U.S. Partnership will be the Partnership. The Partnership will have a permanent establishment in the U.S. because it is a partner in U.S. Partnership, and will be subject to U.S. federal income tax on any ECI of its own or that flows through to it as a partner of U.S. Partnership. Thus, the Partnership will be subject to U.S. federal income taxation on its allocable share of net rental income derived directly or indirectly by the U.S. Partnership.

Furthermore, the gain from a sale of any of the U.S. real properties owned by U.S. Partnership (indirectly through an Acquisition LP) that is allocable to the Partnership, or a sale or other disposition by the Partnership of its limited partnership interest in the U.S. Partnership, will also be considered ECI with respect to the Partnership and subject to U.S. federal income taxation at the regular tax rates applicable to corporations. Income or gains of the U.S. Partnership allocable to the Partnership generally will be subject to U.S. withholding tax under section 1446 of the Code at the highest corporate tax rate (presently 35%), which will also apply in lieu of any FIRPTA withholding requirements otherwise arising on disposition of a USRPI by the Partnership or the U.S. Partnership. Such U.S. withholding tax should be allowed as a credit against U.S. tax as shown on the Partnership's U.S. federal income tax return.

In computing the Partnership's U.S. federal taxable income derived from ECI, certain deductions (subject to limitations) will be allowed, such as the "ordinary and necessary" business expenses of the U.S. Partnership (including interest expense on mortgages related to the Properties and reasonable manager fees), depreciation of the rental properties (as computed under U.S. federal income tax rules) of the U.S. Partnership and the Acquisition LPs, and interest expense with respect to the loans made by the Trust to the U.S. Partnership. See "*Debt and Deductions*" below.

In addition to the U.S. federal income tax on taxable income that is ECI, the Partnership generally will be liable for a five percent (5%) branch profits tax on its after-tax earnings attributable to or distributed from ECI. See "*The Branch Profits Tax*" below. Moreover, any FDAP of the Partnership will be subject to U.S. withholding tax on a gross basis at 30%, or such lower reduced rate of withholding tax as may be applicable under the U.S. - Canada Tax Treaty.

The Branch Profits Tax

Under the branch profits tax in section 884 of the Code, the Partnership generally will be subject to an additional five percent (5%) tax once its accumulated effectively connected earnings and profits exceed \$500,000 (Canadian dollars), as adjusted for certain items, pursuant to article X(6) of the U.S.-Canada Tax Treaty. Reductions in the "U.S. net equity," as defined in section 884(c) of the Code, of the Partnership in the U.S. trade or business conducted through the Holdings LP may result in the imposition

of the branch profits tax. To the extent the Partnership does not reinvest earnings in the U.S. trade or business, it will generally be subject to a branch profits tax of 5%.

Debt and Deductions

In addition to the capital the Partnership will contribute to U.S. Partnership, the Trust will loan money to U.S. Partnership to fund U.S. Partnership's operations ("**U.S. Partnership Loans**"). A number of U.S. federal income tax rules affect the treatment of the interest arising from such U.S. Partnership Loans. If the U.S. Partnership Loans are respected as bona fide debt, the U.S. Partnership will be allowed deductions on interest paid to the Partnership; however, if the U.S. Partnership Loans are not respected as bona fide debt, the U.S. Partnership will be disallowed such deductions, increasing the U.S. Partnership's income allocable to the Partnership. Further, part of the interest expense may be re-characterized as distributions to the Trust subject to withholding tax. Consequently, the funds available for distribution and the Units' value would be reduced if interest on the U.S. Partnership Loans is not deductible.

The determination of whether the U.S. Partnership Loans are debt or equity for U.S. federal income tax purposes is based on an analysis of the facts and circumstances. There is no clear definition of debt under the Code and its characterization is governed by principles developed in case law, which analyzes numerous factors that are intended to identify the economic substance of the particular instrument. Although the Trust and the U.S. Partnership intend to treat the U.S. Partnership Loans as debt for U.S. federal income tax purposes, the IRS could challenge this position. If such a challenge were successful, interest payments on the U.S. Partnership Loans would not be deductible, and the U.S. Partnership's taxable income allocable to the Partnership would increase. Branch profits tax may also be increased in such situation. As a result, the Partnership's cash flow would be reduced, which would negatively impact both the cash available for distribution to Unitholders and the value of the Units.

In addition, other limitations on the deductibility of interest under U.S. federal income tax laws could apply if, for example, the IRS claims that the interest rate on the U.S. Partnership is in excess of an arm's-length rate (in which case a portion of the interest could be re-characterized as a non-deductible distribution), the U.S. Partnership Loans are issued with "original issue discount," or the economic substance doctrine is successfully invoked. In any such case, the U.S. Partnership's taxable income allocable to the Partnership could be increased because of the disallowance of interest deductions.

U.S. Foreign Account Tax Compliance Act

In order to avoid adverse withholding tax consequences, the Trust may require Unitholders that are "U.S. persons," as defined in the Code, to provide certain tax and reporting information necessary for the Trust to comply with new reporting obligations under the "Foreign Account Tax Compliance Act" ("**FATCA**"). If a U.S. person does not provide such information, the U.S. person will generally be subject to U.S. withholding tax on payments made by the Trust beginning March 1, 2014.

FATCA generally imposes a thirty percent (30%) withholding tax on "U.S. persons" who fail to comply with its requirements for (a) certain U.S. source payments (including interest and dividends) and gross proceeds from the sale or other disposition of property that produce U.S. source interest or dividends ("**withholdable payments**"), and (b) "foreign passthru payments" made by certain non-U.S. entities (collectively referred to as "**passthru payments**"). Unitholders that fail to comply with information requests or otherwise comply with the requirements of FATCA may be subject to a 30% withholding tax on passthru payments made by the Trust. Additionally, the Trust may be required to withhold tax on passthru payments made by the Trust to certain non-U.S. entities that are not in compliance with FATCA, including certain non-U.S. financial institutions holding Units on behalf of others (such as investment advisors). Accordingly, it is difficult to accurately estimate the impact of FATCA on the Trust.

The imposition of the 30% withholding tax under FATCA could result in materially reduced investment returns for the Unitholders. The administrative costs arising from compliance with FATCA may also cause an increase in the operating expenses of the Trust, thereby further reducing returns to Unitholders. An additional feature of FATCA is the obligation to release private and confidential information concerning certain Unitholders in the Trust to the IRS and any risks that may be caused to Unitholders as a result thereof.

Prospective Unitholders should consult their independent tax advisor regarding how FATCA may impact their potential investment in the Trust.

This summary is of a general nature only and is not intended to be and should not be taken as legal, tax or business advice to any particular Subscriber to these Securities. Consequently, Subscribers should seek independent professional advice regarding the income tax consequences of investing in the Securities, based upon their own particular circumstances.

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

The Trust has not retained an underwriter in respect of the sale and distribution of the Units. However, the Trust reserves the right to retain agents to, and/or pay persons who, effect sales of the Units, in which case, subject to applicable Securities legislation, such agents and persons may receive a fee of up to 10% of the Gross Proceeds realized from the Units sold directly by such parties (up to 9% of which can be paid as sales commissions and up to 1% of which will be paid as a fee to the Exempt Market Dealers, investment dealers or other consultants/finders).

The Trust will pay unrelated parties who assist in the management of the selling agents under this Offering (the "**Investment Administration Expense**"), an amount equal to 1.9% of the funds raised under this Offering.

The Partnership will pay all commissions and fees incurred by the Trust with respect to this Offering pursuant to the Funding Agreement.

ITEM 8 - RISK FACTORS

An investment in the Trust is speculative and contains certain risks. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the Units. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the Trust will meet its business objectives. The Trust's returns may be unpredictable and, accordingly, the Units are not suitable as the sole investment vehicle for an investor or for an investor that is looking for a predictable source of cash flow. An investor should only invest in the Trust as part of an overall investment strategy. Based on, among others, the factors described below, the possibility of partial or total loss of capital will exist and investors should not subscribe unless they can readily bear the consequences of such loss.

Risks associated with the Units

Restrictions on redemption and transfer; Illiquidity of Units

A Unitholder's principal source of liquidity for its Units will be through its right of redemption. Unitholders should be aware that redemption rights in their favour are subject to significant limitations and restrictions. There will be no public market for the Units and an application for listing of the Units on a stock exchange will not be made. The Units are being sold on a "private placement" basis in reliance

upon exemptions from prospectus and registration requirements of applicable Securities laws and therefore are subject to significant statutory restrictions on transfer or sale. The Units will be subject to "hold periods" under applicable Securities legislation and, as the Trust is currently not a "reporting issuer" in any province or territory in Canada, the "hold periods" may never expire. Additionally, Unitholders will not be permitted to transfer or sell their Units without the consent of the Trustee, which may be withheld in the Trustee's sole discretion, and may be subject to the satisfaction of certain other conditions, including the provision of an opinion of counsel that such a transfer would not subject the Trust or the Unitholders to any regulatory or tax burdens or result in violation of any Applicable Law or governmental regulation.

Distribution of income

The Trust will distribute Income of the Trust and Trust Capital Gains for each taxation year, so that Trust Income and Trust Capital Gains may be taxable to Unitholders and the Trust will not have any obligation to pay tax under the Tax Act. Payment of distributions is intended to be made in cash, but the Trust may, in certain circumstances, make distributions by distributing additional Units. See Item 2.7 - Material Agreements - Summary of the Declaration of Trust "Distributions". In the event that the Trust does not make cash distributions, Unitholders will have to rely solely on the redemption of their Units to obtain a cash return on their investment in Units.

Nature of Units

Each Unit represents an equal undivided beneficial interest in the Trust. The Units do not represent debt instruments and there is no principal amount owing to Unitholders under the Units, and the Units are not insured against loss through the Canadian Deposit Insurance Corporation.

Units are intended to be held by taxable and tax exempt investors

The Units are intended to be held by taxable and tax exempt investors. Taxable investors may be subject to tax as a result of holding Units. The Trust intends to make all taxable income of the Trust payable to Unitholders each year and to distribute such income by distributing cash or Units. In addition, income allocated by the Trust to Unitholders may exceed the amount payable to them on a redemption of their Units. Investors should consult their own tax advisors respecting the tax consequences of owning the Units.

Mutual fund trust status

To qualify as a mutual fund trust, the sole undertaking of the Trust must be the investing of its funds in property (other than certain real property or interests in real property), the Trust must comply on a continuous basis with certain requirements relating to the redemption of the Units at the demand of its holder, the qualification of the Units for distribution to the public, the number of Unitholders and the dispersal of ownership of Units and the Trust must not be reasonably considered to have been established or maintained primarily for the benefit of Non-Residents. If the Trust fails or ceases to qualify as a "mutual fund trust", there may be adverse tax consequences to the Trust and Unitholders.

Eligibility of Units for investment by deferred plans

If the Trust fails or ceases to qualify as a "mutual fund trust" the Units may not be or may cease to be qualified investments for Deferred Plans which will have adverse tax consequences to Deferred Plans and their annuitants, holders or beneficiaries. If the Units are or become a prohibited investment for Restricted Plans, adverse tax consequences may result to the annuitant or holder thereof.

Trust property or Redemption Notes received as a result of a distribution or redemption of Units may not be a qualified investment for Deferred Plans, which may give rise to adverse consequences to a Deferred Plan or the annuitant, holder or beneficiary thereunder.

Tax treatment of Units and Unitholders

Canadian federal or provincial income tax legislation may be amended, or their interpretation changed, so as to alter fundamentally the tax consequences of holding or disposing of Units or the investments held by the Trust. The alternative minimum tax could limit tax benefits available to Unitholders.

There is no assurance that income tax laws or administrative practices of tax officials in the various jurisdictions of Canada will not be changed in a manner which will adversely alter the tax treatment of Unitholders.

Tax characterization of Trust Income and Trust Capital Gains

The designation of income or gains realized by the Trust to Unitholders, including the designation of gains realized on the disposition of investments as capital gains will depend largely on factual considerations. Management will endeavor to make appropriate characterizations of income or gains realized by the Trust for purposes of designating such income or gains to Unitholders based on information reasonably available to it. However, there is no certainty that the manner in which the Trust characterizes such income or gains will be accepted by the CRA. If it is subsequently determined that the Trust's characterization of a particular amount was incorrect, Unitholders might suffer material adverse tax consequences as a result.

SIFT status

If investments in the Trust are listed or traded on a stock exchange or other public market, the Trust may be taxable as a "SIFT trust" under the Tax Act, which will have adverse tax consequences to the Unitholders and the Trust and the Canadian federal income tax considerations of investing in the Trust will be materially different from those described herein.

Tax treatment of the Partnership

U.S. federal or state income tax legislation may be amended, or their interpretation changed, so as to fundamentally alter the income tax treatment of the Partnership. There is no assurance that income tax laws or administrative practices of tax officials in the various jurisdictions of U.S. will not be changed in a manner which will adversely alter the tax treatment of the Partnership.

Risks associated with the Trust

Nature of investment

An investment in the Trust requires a long-term commitment, with no certainty of return. Investments made by the Trust, including in the Partnership and the U.S. Partnership, may not generate current income.

No assurance of investment return

The success of the Trust and, accordingly, a return on investment for a purchaser of Units, is entirely dependent upon the success of both the Partnership's and the U.S. Partnership's real estate investment strategy. As a result, there is no assurance or guarantee that the Trust and, correspondingly, the purchasers of Units pursuant to this Offering, will earn a return on their investment. Unitholders could lose the entire amount of their investment.

Concentration of investments

The Trust's investments will be limited to that of the Partnership and the U.S. Partnership operating in a single industry (being the real estate investment business in the State of Texas). Concentration of the Trust's investments in such a manner involves greater risk to an investor of Units than the exposure generally associated with more diversified investment funds, and may result in greater fluctuations in returns.

Conflicts of interest

There may be occasions when the Rockspring Parties encounter conflicts of interest in connection with the Trust's activities. There may be conflicts in allocating business opportunities among the Partnership, the U.S. Partnership and other Rockspring Parties. In a bankruptcy proceeding, it is possible that the Trust's interests may be subordinated or otherwise adversely affected by virtue of the involvement or actions of such other participants.

There is no independent committee or other persons representing the Unitholders in situations involving conflicts of interests between the Rockspring Parties and/or the Unitholders. Accordingly, the Unitholders are relying on the ability, honesty and integrity of McAlister and other Rockspring Parties to resolve any such material conflicts of interests, which resolutions might have been different had the interests of Unitholders been represented by independent persons in such circumstances.

Reliance on AdminCo

All decisions with respect to the Trust assets and the operations of the Trust are expected to be made exclusively by the Trustee. The Trustee has delegated that authority to AdminCo pursuant to the Administration Agreement. Unitholders will have no right to make any decisions with respect to the Trust's business and affairs. No prospective investor should purchase a Unit in the Trust unless such prospective investor is willing to entrust all aspects of the management of the Trust to AdminCo.

Dependence on key personnel

The success of the Trust will depend in large part upon the services of key personnel employed by the Partnership and/or the U.S. Partnership, including McAlister. The loss of any of these individuals, for any reason, could have a material adverse affect on the prospects of the Partnership and/or the U.S.

Partnership and, as a result, the Trust. Failure to retain or to attract additional key employees with necessary skills could have a material adverse impact upon the Partnership's and the U.S. Partnership's growth and profitability. The contributions of these individuals to the immediate future operations of the Partnership and the U.S. Partnership is likely to be of central importance and the loss of any one of these individuals could have a material adverse affect on the business of both the Partnership and the U.S. Partnership and, as a result, the Trust. There can be no assurance that such personnel will remain with the Partnership and/or the U.S. Partnership.

Lack of operating history

The Trust, the Partnership and the U.S. Partnership have been established in connection with this Offering and have no operating history and no history of earnings. The past performance of any of the Rockspring Parties in the real estate investment business in the State of Texas should not be construed as a guarantee or expectation of future results of any investment in the Trust. Accordingly, there is no operating history upon which to base an evaluation of Trust, the Partnership or the U.S. Partnership or their business or prospects. The Trust, the Partnership and the U.S. Partnership are in the early stages of their business and therefore are subject to the risks associated with early stage entities, including start-up losses, uncertainty of revenues, markets and profitability, the need to raise additional funding, the evolving and unpredictable nature of their business and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Trust, the Partnership or the U.S. Partnership will be successful in doing what they are required to do to overcome these risks. No assurance can be given that the Trust's, the Partnership's or the U.S. Partnership's business activities will be successful. Total loss of an investment in Units is possible.

Limited working capital

The Trust will have a limited amount of working capital, as all or substantially all of the Available Funds of the Offering will be used to acquire LP Units from the Partnership and to provide Loans to the U.S. Partnership.

Termination of the Trust

Although the Trust is expected to continue until 2023, Unitholders may, by Extraordinary Resolution, vote to terminate the Trust at any meeting of Unitholders duly called by the Trustee or the Unitholders for the purpose of considering termination of the Trust, following which the Trustee will commence winding-up of the Trust. Such Extraordinary Resolution may contain directions to the Trustee as the Unitholders determine, including a direction to distribute the Securities held by the Trust, or all of them, *in specie*. If the termination occurs earlier than the term of the Trust, the Trust may not have been in existence for the period of time necessary to achieve the business objectives of the Trust.

Leverage of the Trust

The Trust may borrow or incur indebtedness for any purpose, including for the purposes of acquiring investments, distributing Trust Income or Trust Capital Gains or redeeming Units. The requirement to repay principal and pay the associated debt service costs could impair the Trust's ability to make distributions to Unitholders, particularly if the value of the Trust's investments decline and/or the Trust is unable to liquidate some or all of its investments to refinance any such borrowings. If the Trust is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the ability of the Trust to make distributions would be impaired and the value of the Units could be significantly reduced or even eliminated.

In addition, if the borrowings are used to acquire investments, the interest expense and banking fees incurred in respect of any such loans may exceed the incremental capital gains and tax benefits generated by the investments. There can be no assurance that the borrowing strategy employed by the Trust will enhance returns.

Risks relating to redemption

If holders of a substantial number of Units exercise their redemption rights, the number of Units outstanding could be significantly reduced. In any such circumstance, the Trustee may at any time terminate the Trust without the approval of the Unitholders if, in the opinion of the Trustee, it is no longer economically feasible to continue the Trust or the Trustee determines that it would be in the best interests of Unitholders to terminate the Trust.

Lack of independent counsel representing Unitholders

The Trust has consulted with and retained for their benefit legal counsel to advise them in connection with the formation and terms of the Trust and the offering of Units. Unitholders have not, however, as a group been represented by independent legal counsel. Therefore, to the extent that the Unitholders could benefit by further independent review, such benefit will not be available unless individual Unitholders retain their own legal counsel.

Liability for return of distributions

Generally, the Unitholders do not have personal liability for the obligations of the Trust. However, under Applicable Law, Unitholders could be required to return distributions previously made by the Trust if it is determined that such distributions were wrongfully made or in certain other circumstances under the terms of the Declaration of Trust. Where a Unitholder has received the return of all or part of the amount contributed to the Trust, the Unitholder is nevertheless liable to the Trust or, where the Trust is terminated, to its creditors for any amount, not in excess of the amount returned with interest, necessary to discharge the liabilities of the Trust to all creditors who extended credit or whose claims otherwise arose before the return of the contribution. Additionally, Unitholders may have to return all or a portion of distributions made to them to the extent the Trust has an obligation to withhold any amounts from such distribution for tax purposes.

Recourse to the Trust's assets

The Trust's assets, including any investments made by the Trust and any capital held by the Trust, are available to satisfy all liabilities and other obligations of the Trust. If the Trust itself becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Trust's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

Indemnification

The Trustee, each former Trustee and each officer of the Trust and each former officer of the Trust is entitled to indemnification and reimbursement out of the Trust assets, except under certain circumstances, from the Trust. Such indemnification obligations could decrease the returns which would otherwise be available to the Unitholders of the Trust.

Effect of expenses on returns

Although the Partnership has agreed to bear all costs and expenses related to the activities and business of the Trust, the Trust generally remains responsible to pay the same. Accordingly, if the Partnership were to fail or refuse to pay any such costs or expenses, the Trust would remain liable to pay the same, and if it were to do so, such costs and expenses would reduce, and could eliminate, the actual returns to the Unitholders.

Lack of regulatory oversight

The Trust is not subject to any regulatory oversight in Canada.

Risks associated with the Partnership's business

Investments Have Not Been Identified; Appropriate Investments May Not Be Available; Investment of Available Funds May Be Delayed

There can be no assurance that the Partnership or the U.S. Partnership, as the case may be, will identify Investments that meet its investment criteria that the Partnership and/or the U.S. Partnership will be successful in acquiring or improving Investments that may be identified, or that any such Investments will produce a return on the Partnership's investment. The Partnership and the U.S. Partnership intend to focus its efforts on areas in which it might acquire properties or make investments that will meet its acquisition or investment criteria for real estate in Texas; however, there is no assurance that the Partnership or the U.S. Partnership will acquire any specific assets or properties or make any bridge loans, or, if it does, what the terms of such acquisitions or bridge loans might include. The Partnership and/or the U.S. Partnership expect to engage in a number of acquisitions, sales, exchanges, developments, improvements, and dispositions of properties and loans. There is no firm information available with respect to the future assets of the Partnership or the U.S. Partnership that an investor can evaluate when determining the merits of the Partnership or the U.S. Partnership.

As the General Partner has not yet identified the Partnership's Investments, to be acquired the General Partner will have broad authority to invest the net proceeds of the Offering in whatever assets the General Partner deems appropriate. The General Partner will have great latitude in determining the types of assets it may decide are proper Investments for the Partnership. No assurance can be made that the General Partner's decisions in this regard will result in a profit for the Partnership.

As the U.S. General Partner has not yet identified the U.S. Partnership's Investments, to be acquired the U.S. General Partner will have broad authority to invest the net proceeds of the Offering in whatever assets the General Partner deems appropriate. The U.S. General Partner will have great latitude in determining the types of assets it may decide are proper Investments for the U.S. Partnership. No assurance can be made that the U.S. General Partner's decisions in this regard will result in a profit for the U.S. Partnership.

Real Estate is Illiquid and Value is Dependent on Conditions Beyond Partnership's Control

Real estate investments are relatively illiquid. Furthermore, land investment is generally considered the riskiest form of real estate investment due to the lack of operating income from the asset. The ability of the Partnership and/or the U.S. Partnership to vary its Investments in response to changes in economic and other conditions will be limited. Further, no assurances can be given that the fair market value of any assets acquired by the Partnership and/or the U.S. Partnership will not decrease in the future. The underlying value of the assets and the Partnership's and/or the U.S. Partnership's income and ability to

make distributions to partners of the Partnership the Partnership and/or the U.S. Partnership are dependent upon the ability of the General Partner and/or the U.S. General Partner, through the Manager, to manage the assets in a manner sufficient to achieve a return in excess of operating expenses. Revenues may be adversely affected by adverse changes in national or local economic conditions, changes in interest rates and in the availability, cost and terms of financing, costs and terms of development, the impact of present or future environmental legislation and compliance with environmental laws, changes in real estate tax rates and other operating expenses, adverse changes in governmental rules and fiscal policies, civil unrest, acts of God, including earthquakes, hurricanes and other natural disasters (which may result in uninsured losses), acts of war, acts of terrorism, adverse changes in zoning laws, and other factors which are beyond the control of the Partnership.

Development Risks

The Partnership or the U.S. Partnership may develop some Investments either by itself or with third parties, and such development activities may include risks, including, without limitation, relating to the availability and timely receipt of zoning and other regulatory Approvals, the cost and timely completion of construction (including risks beyond the control of the Partnership or the U.S. Partnership, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on the Investment and on the amount of funds available for distribution to the partners of the Partnership or the U.S. Partnership.

Possible Conflicts of Interest of the Partnership

It is possible that conflicts of interest may arise among the General Partner, Affiliates of the General Partner and/or the Partnership which may result in decisions that do not fully reflect the best interests of all partners of the Partnership. For example:

- (a) Under the terms of the Partnership Agreement, the management responsibility of the Partnership and its assets is vested solely in the General Partner of the Partnership. An investor acquiring Units will have little or no voice or vote in the management and other operational decisions of the Partnership, including, without limitation, decisions to acquire, maintain, market, sell or otherwise dispose of property and assets, decisions regarding distributions to the partners of the Partnership, or entering into certain related (or Affiliate) transactions with the General Partner or its Affiliates.
- (b) In addition, the Management Fee and Carried Interest payable to the Manager and the other fees payable to parties related to the General Partner as described herein may create an incentive for the General Partner to make Investments that are riskier or more speculative than might otherwise be made with a lesser incentive to achieve high returns.
- (c) In the event certain additional services, goods or products provided to the Partnership by one or more Affiliates of the General Partner or the members of the General Partner, such Affiliates would be entitled to receive certain fees from the Partnership. While the compensation payable to the General Partner, or its Affiliates, for services performed for the Partnership may be reasonable based on established commercial practices, it will not be the result of arm's length negotiations. The General Partner, on behalf of the Partnership, will be vested with the authority to amend or modify such agreements.

- (d) In addition, it is expressly acknowledged, other than as set forth in the following proviso, that the principals and Affiliates of the General Partner may have interests and businesses which are competitive to those of the Partnership; provided, that until the first to occur of (i) the termination of the Investment Period, or (ii) such time as an amount equal to greater than 60% of the Aggregate Contributed Capital has been drawn down and used (or committed to be used) in connection with specific Investments, the General Partner and its Affiliates are prohibited, pursuant to the Partnership Agreement, from forming any new investment fund having the primary purpose of acquiring and holding real property and real estate related investments in Texas.

Possible Conflicts of the U.S. Partnership

It is possible that conflicts of interest may arise among the U.S. General Partner, Affiliates of the U.S. General Partner and/or the U.S. Partnership which may result in decisions that do not fully reflect the best interests of all partners of the U.S. Partnership. For example:

- (a) Under the proposed terms of the U.S. Partnership Agreement, the management responsibility of the U.S. Partnership and its assets will be vested solely in the U.S. General Partner of the U.S. Partnership. An investor acquiring Units will have little or no voice or vote in the management and other operational decisions of the U.S. Partnership, including, without limitation, decisions to acquire, maintain, market, sell or otherwise dispose of property and assets, decisions regarding distributions to the partners of the U.S. Partnership, or entering into certain related (or Affiliate) transactions with the U.S. General Partner or its Affiliates.
- (b) In addition, the Management Fee and Carried Interest payable to the Manager and the other fees payable to parties related to the U.S. General Partner as described herein may create an incentive for the U.S. General Partner to make Investments that are riskier or more speculative than might otherwise be made with a lesser incentive to achieve high returns.
- (c) In the event certain additional services, goods or products provided to the U.S. Partnership by one or more Affiliates of the U.S. General Partner or the members of the U.S. General Partner, such Affiliates would be entitled to receive certain fees from the U.S. Partnership. While the compensation payable to the U.S. General Partner, or its Affiliates, for services performed for the U.S. Partnership may be reasonable based on established commercial practices, it will not be the result of arm's length negotiations. The U.S. General Partner, on behalf of the U.S. Partnership, will be vested with the authority to amend or modify such agreements.

In addition, it is expressly acknowledged, other than as set forth in the following proviso, that the principals and Affiliates of the U.S. General Partner may have interests and businesses which are competitive to those of the U.S. Partnership; provided, that until the first to occur of (i) the termination of the Investment Period, or (ii) such time as an amount equal to greater than 60% of the aggregate contributed capital of the U.S. limited partners has been drawn down and used (or committed to be used) in connection with specific Investments, the U.S. General Partner and its Affiliates will be prohibited, pursuant to the U.S. Partnership Agreement, from forming any new investment fund having the primary purpose of acquiring and holding real property and real estate related investments in Texas.

No Obligation to Devote Full Time Efforts

The General Partner will devote such time as it believes, in its discretion, is necessary to carry out the operations of the Partnership. Moreover, officers and employees of the General Partner and its Affiliates

are not obligated to devote full time efforts to the Partnership's efforts, and they may have conflicts in their allocation of time between the Partnership and other unrelated activities.

The U.S. General Partner will devote such time as it believes, in its discretion, is necessary to carry out the operations of the U.S. Partnership. Moreover, officers and employees of the U.S. General Partner and its Affiliates are not obligated to devote full time efforts to the U.S. Partnership's efforts, and they may have conflicts in their allocation of time between the U.S. Partnership and other unrelated activities.

The Partnership's Success is Dependent on Key Personnel

The Partnership and the U.S. Partnership believes that its success will depend to a significant extent upon the experience of key management personnel (see heading below titled: "Management; Prior Experience") of the General Partner, the U.S. General Partner and the Manager. The continued service of some of these key management personnel cannot be guaranteed. However, while the General Partner and/or the U.S. General Partner believe that it could replace these key personnel, the loss of any such persons or the loss of all of such persons at a single point in time could have a material adverse effect on the operations of the Partnership and/or the U.S. Partnership through a diminished ability to obtain investment opportunities and to structure and execute the Partnership's the Partnership and/or the U.S. Partnership's potential investments and business plan. In addition, the Partnership and/or the U.S. Partnership may not successfully recruit additional personnel and any additional personnel that are recruited may not have the requisite skills; knowledge or experience necessary or desirable to enhance the incumbent management.

Joint Ventures

The Partnership or the U.S. Partnership may enter into one or more joint ventures with strategic partners, including with Affiliates of the General Partner or the U.S. General Partner. Investments with joint venture partners may involve carried interests and/or fees payable to such joint venture partners, as the General Partner or the U.S. General Partner, as the case may be, may deem appropriate, in its sole discretion.

Initial Lack of Geographic Diversification Could Subject the Partnership to Concentration of Risk

The success of the Partnership and the U.S. Partnership is dependent upon the general economic conditions in the geographic areas in which a substantial number of its Investments are located. The Partnership and the U.S. Partnership intend to focus its real estate holdings within the "Texas Triangle" area around the metropolitan areas of Houston, San Antonio, Austin and Dallas/Fort Worth in the State of Texas. The Partnership and the U.S. Partnership will therefore be subject to any adverse economic, political or business developments in Texas, including natural hazard risks, which may adversely affect the value of the Partnership or U.S. Partnership's assets.

The Partnership's and/or the U.S. Partnership's Properties Will be Subject to Environmental Risks

The Partnership's and/or the U.S. Partnership's operating costs may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of complying with future legislation with respect to its assets. In the due diligence process, to the extent the General Partner, the U.S. General Partner and/or the Manager deems the same appropriate, efforts will be made by the General Partner, the U.S. General Partner and/or the Manager to identify potential environmental liabilities prior to acquisition of assets, including identification of hazardous substances or wastes, contaminants, pollutants or sources thereof. These efforts may or may not include the performance of environmental site assessments or Phase I reviews. In the event environmental contamination is discovered, the cost of investigations, remediation and removal of substances may be

substantial and the presence of such substances may affect the Partnership's and/or the U.S. Partnership's ability to sell such property. Some environmental laws create a lien on the contaminated site in favor of the government for damages and the costs it incurs in connection with the contamination. In addition, the Partnership and/or the U.S. Partnership may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination.

The Partnership's and/or the U.S. Partnership's Investment in Debt Secured by Real Property

The Partnership or the U.S. Partnership may acquire debt interests or make bridge loans to third parties which are secured by real property. In addition to the risks of borrower default, the collateral may be mismanaged or otherwise decline in value during periods in which the Partnership or the U.S. Partnership is seeking to obtain control of the underlying real estate. In addition, borrowers may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce mortgage obligations. If any of the above occurred, the Partnership's ability to obtain such real property will be affected. As a lender, the Partnership may also be subject to penalties for violations of state usury limitations, which penalties may be triggered by contracting for, charging or receiving usurious interest.

Non-Performing Loans; Foreclosure

Real estate loans acquired by the Partnership or the U.S. Partnership may be nonperforming for a wide variety of reasons. Such nonperforming real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a reduction in the interest rate and a write-down of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such real estate loan, replacement "takeout" financing will not be available. It is possible that the Partnership or the U.S. Partnership may find it necessary or desirable to foreclose on collateral securing one or more real estate loans it originated or purchased. The foreclosure process can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure process. In some jurisdictions, foreclosure actions can take several years or more to conclude and borrowers may file for bankruptcy protection at any time, staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the underlying collateral and may disrupt ongoing leasing and management of the underlying collateral.

Risks of Leverage

The General Partner has the right to borrow and to pledge and encumber the Investments to secure a working capital line of credit. The use of leverage exposes the Partnership to certain risks including interest charges and the possible loss of the Investments if the Partnership is unable to pay such indebtedness on a timely basis or comply with the terms of any loan documents evidencing such indebtedness. Any such financing will likely place limits and restrictions on the Partnership's discretion in conducting business.

The U.S. General Partner has the right to borrow and to pledge and encumber the Investments to secure a working capital line of credit. The use of leverage exposes the U.S. Partnership to certain risks including interest charges and the possible loss of the Investments if the U.S. Partnership is unable to pay such indebtedness on a timely basis or comply with the terms of any loan documents evidencing such indebtedness. Any such financing will likely place limits and restrictions on the U.S. Partnership's discretion in conducting business.

The Risk of Uninsured Losses Will be Borne by the Partnership or the U.S. Partnership, as the case may be

The Partnership and the U.S. Partnership each expects to maintain insurance coverage against liability to third parties and property damage as is customary for similar businesses, insofar as the General Partner, U.S. General Partner and/or Manager deems the same necessary or appropriate, in its sole discretion. There can be no assurance that insurance will be available or sufficient to cover all such risks. Insurance against certain risks may be unavailable or commercially infeasible. Uninsured losses will be borne by the Partnership or the U.S. Partnership, as the case may be.

Newly-Formed Partnerships

The Partnership and the U.S. Partnership have no operating history, no material net worth and its operating policies and strategies are untried. The Partnership will be dependent upon the experience and expertise of the General Partner and the Manager in administering its day-to-day operations. The General Partner and its Affiliates have experience investing in and managing real estate-related assets; however, there can be no assurance that the General Partner will be able to implement successfully the strategies that the Partnership intends to pursue. The U.S. Partnership will be dependent upon the experience and expertise of the U.S. General Partner and the Manager in administering its day-to-day operations. The U.S. General Partner and its Affiliates have experience investing in and managing real estate-related assets; however, there can be no assurance that the U.S. General Partner will be able to implement successfully the strategies that the U.S. Partnership intends to pursue.

Past Performance Not a Predictor of Future Results

The track record of senior management shall not imply or predict (directly or indirectly) any level of future performance of the General Partner, the Partnership, the U.S. General Partner or the U.S. Partnership. Management's performance and the performance of the Partnership and/or the U.S. Partnership is dependent on future events and is, therefore, inherently uncertain. Past performance cannot be relied upon to predict future events for a variety of factors, including, without limitation, varying business strategies, different local and national economic circumstances, different supply and demand characteristics relevant to buyers and sellers of assets, varying degrees of competition and varying circumstances pertaining to the capital markets.

Investments Longer Than Term

The General Partner intends that Investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution. However, the Partnership may have to sell, distribute or otherwise dispose of Investments at a disadvantageous time as a result of dissolution.

The U.S. General Partner intends that Investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution. However, the U.S. Partnership may have to sell, distribute or otherwise dispose of Investments at a disadvantageous time as a result of dissolution.

Currency and Exchange Rate Risks

The Partnership will compute and distribute its income in Canadian dollars. The U.S. Partnership will compute and distribute its income in United States dollars. Changes in currency exchange rates between the Canadian and United States dollar will affect the value of Partnership's portfolio of Investments if any, and the unrealized appreciation or depreciation of Investments. Further, the Partnership may incur costs in connection with conversions between Canadian and United States currencies with respect to Investments.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Trust. Prospective investors should read this entire Offering Memorandum and consult their own counsel and financial advisors before deciding to invest in the Trust.

Neither the Trust, the Trustee, the General Partner, the U.S. General Partner AdminCo nor any other Rockspring Party or any Affiliate or associate of the foregoing is responsible for, and undertakes no obligation to, determine the general or specific investment needs and objectives of a potential investor and the suitability of the Units having regard to any such investment needs and objectives of the potential investor.

You should consult your own professional advisors, including the dealing representatives of your representative Exempt Market Dealer, to obtain advice on whether investment in the Units is a suitable for both your general or specific investment needs and objectives.

ITEM 9 - REPORTING OBLIGATIONS

The Trust will send to Unitholders within 120 days of the Fiscal Year end and, in any event, on or before any earlier date prescribed by Applicable Laws, annual audited financial statements of the Trust for the Fiscal Year ended immediately prior to such period, which information shall consist of a balance sheet, income statement and statement of cash flows.

The Trustee will, within the time frame required under the Tax Act, forward to each Unitholder who received distributions from the Trust in the prior calendar year, such information and forms as may be needed by the Unitholder in order to complete its income tax return in respect of the prior calendar year under the Tax Act and equivalent provincial legislation in Canada.

The Trust is not a "reporting issuer" or equivalent under the Securities legislation of any jurisdiction in Canada. Accordingly, the Trust is not subject to the "continuous disclosure" requirements of any Securities legislation and there is therefore no requirement that the Trust make ongoing disclosure of its affairs including, without limitation, the disclosure of financial information on a quarterly basis or the disclosure of material changes in the business or affairs of the Trust.

The Trust will deliver to prospective investors certain documents, including this Offering Memorandum, a subscription agreement and any updates or amendments to the Offering Memorandum required by law, from time to time by way of facsimile or e-mail. In accordance with the terms of the subscription agreement provided to prospective investors, delivery of such documents by email or facsimile shall constitute valid and effective delivery of such documents unless the Trust receives actual notice that such electronic delivery failed. Unless the Trust receives actual notice that the electronic delivery failed, the Trust is entitled assume that the facsimile or e-mail and the attached documents were actually received by the prospective investor and the Trust will have no obligation to verify actual receipt of such electronic delivery by the prospective investor.

ITEM 10 - RESALE RESTRICTIONS

10.1 GENERAL

The Units will be subject to a number of resale restrictions, including restrictions on trading. Until the restriction on trading expires, you will not be able to trade the Units unless you comply with an exemption from the prospectus and registration requirements under Securities legislation. Additionally, Unitholders will not be permitted to transfer their Units without the consent of the Trustee. See Item 2.7 -

Material Agreements - Summary of the Declaration of Trust - "Transfer of Units" and "Restrictions on Non-Resident Ownership".

10.2 RESTRICTED PERIOD

Unless permitted under Securities legislation, a Unitholder cannot trade the Units before the date that is four months and a day after the date the Trust becomes a reporting issuer in any province or territory in Canada. Since the Trust is not a reporting issuer in any province or territory, the applicable hold period for Subscribers may never expire, and if no further exemption may be relied upon and if no discretionary order is obtained, this could result in a Subscriber having to hold the Units acquired under the Offering for an indefinite period of time.

10.3 MANITOBA RESALE RESTRICTIONS

In addition to the above, for subscribers resident in Manitoba, unless permitted under Securities legislation, a Unitholder must not trade the Units without the prior written consent of the regulator in Manitoba, unless the Trust has filed a prospectus with the regulator in Manitoba with respect to the Units and the regulator in Manitoba has issued a receipt for that prospectus, or the Unitholder has held the Units for at least 12 months. The regulator in Manitoba will consent to such a trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

The Trustee must approve of any proposed disposition. It is the responsibility of each individual Subscriber to ensure that all forms required by the applicable Securities legislation are filed as required upon disposition of the Units acquired pursuant to this Offering.

The foregoing is a summary only of resale restrictions relevant to a purchaser of the Securities offered hereunder. It is not intended to be exhaustive. All subscribers under this Offering should consult with their legal advisors to determine the applicable restrictions governing resale of the Securities purchased hereunder including the extent of the applicable hold period and the possibilities of utilizing any further statutory exemptions or obtaining a discretionary order.

ITEM 11 - PURCHASERS' RIGHTS

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

11.1 TWO DAY CANCELLATION RIGHT

You can cancel your agreement to purchase these Units. To do so, you must send a notice to us by midnight on the second (2nd) Business Day after you sign the agreement to buy the Units.

11.2 STATUTORY RIGHTS OF ACTION IN THE EVENT OF A MISREPRESENTATION

Securities legislation in certain of the provinces of Canada provides purchasers with a statutory right of action for damages or rescission in cases where an offering memorandum or any amendment thereto contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or is necessary to make any statement contained therein not misleading in light of the circumstances in which it was made (a "**misrepresentation**"). These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by purchasers within the time limits prescribed and are subject to the defences and limitations contained under the applicable Securities legislation. Purchasers of Units resident in provinces of Canada that do not provide for such statutory rights will be granted a contractual

right similar to the statutory right of action and rescission described below for purchasers resident in Ontario and such right will form part of the subscription agreement to be entered into between each such purchaser and the Trust in connection with this Offering.

The following summaries are subject to the express provisions of the Securities legislation applicable in each of the provinces of Canada and the regulations, rules and policy statements thereunder. Purchasers should refer to the Securities legislation applicable in their province along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor. The contractual and statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy that purchasers may have at law.

Rights of Purchasers in Alberta

If you are a resident of Alberta, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy the offered Units, or
- (b) for damages against the Trust, every Person who was a Trustee at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Securities. Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the Securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and 3 years after the day you purchased the Securities.

Rights of Purchasers in British Columbia

If you are a resident of British Columbia, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy the offered Units, or
- (b) for damages against the Trust, every Person who was a Trustee at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Securities. Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that

you purchased the Securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and 3 years after the day you purchased the Securities.

Rights of Purchasers in Saskatchewan

If you are a resident of Saskatchewan and if there is a misrepresentation in this Offering Memorandum, or any amendment thereto, you have a statutory right to sue:

- (a) the Trustee to cancel your agreement to buy the offered Units; or
- (b) for damages against:
 - (i) the Trust, a Trustee of the Trust, or promoter of the Trust, as the case may be, at the time the Offering Memorandum was sent or delivered;
 - (ii) every person or company whose consent has been filed respecting the Offering, but only with respect to reports, opinions or statements that have been made by them;
 - (iii) every person who, or company that, in addition to the persons or companies mentioned in clauses (i) and (ii) above, signed the Offering Memorandum; and
 - (iv) every person who or company that sells the offered Units on behalf of the Corporation under the Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Units. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action.

You must commence your action for damages within the earlier of:

- (a) 1 year after learning of the misrepresentation; or
- (b) 6 years after the date of the transaction that gave rise to the cause of action.

Rights of Purchasers in Manitoba

If you are a resident of Manitoba, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to rescind your agreement to buy the offered Units, or
- (b) for damages against the Trust, every Person who was a Trustee at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

These statutory rights to sue are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Securities.

Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to rescind the agreement within 180 days after the date that you purchased the Securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action or 2 years after the day you purchased the Securities.

Rights of Purchasers in Ontario

If you are a resident of Ontario, and if there is a misrepresentation in this Offering Memorandum, a purchaser who purchases a security offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, the following rights:

- (a) the purchaser has a right of action for damages against the Trust and a selling securityholder on whose behalf the distribution is made, or
- (b) where the purchaser purchased the Securities from a Person or the Trust referred to in clause (a), the purchaser may elect to exercise a right of rescission against the Person or the Trust, in which case the purchaser shall have no right of action for damages against such Person or the Trust.

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

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the Securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and 3 years after the day you purchased the Securities.

Rights of Purchasers in Quebec

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to apply to have the contract rescinded or the price revised, without prejudice to your claim for damages and you have a statutory right to sue for damages against:

- (a) the Trust and every Trustee of the Trust;
- (b) any dealer under contract to the Trust;
- (c) any person who is required to sign a certificate in the Offering Memorandum, in accordance with the conditions prescribed by regulations; and
- (d) any expert whose opinion, containing a misrepresentation, appeared, with his consent, in the Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Units. If you intend to rely on the rights described in (a), (b), (c) or (d) above, you must do so within strict time limitations. No action may be commenced to enforce such right unless the right is exercised:

- (a) in the case of rescission or revision of the price, within 3 years from the date of the transaction; and
- (b) in the case of damages, within 3 years of the date on which you acquired knowledge of the facts giving rise to the action, except upon proof that the plaintiff acquired such knowledge more than 3 years after the date of the transaction as a result of the negligence of the plaintiff, subject to a maximum period of 5 years from the date of the filing of the Offering Memorandum with the Autorité des marchés financiers.

In an action for rescission or revision of the price against the Trust, the defendant may defeat the application only if it is proved the plaintiff knew, at the time of the transaction, of the alleged misrepresentation.

Rights of Purchasers in Nova Scotia

If you are a resident of Nova Scotia and if there is a misrepresentation in this Offering Memorandum, or any amendment thereto, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy the offered Units, or
- (b) for damages against the Trust, every Person who was a Trustee at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

These statutory rights to sue are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Securities. Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the Securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and 3 years after the day you purchased the Securities.

Rights of Purchasers in New Brunswick

If you are a resident of New Brunswick and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy the offered Units, or
- (b) for damages against the Trust or the seller.

The Trust will not be held liable under this paragraph if the subscriber purchased the Securities with the knowledge of the misrepresentation. In an action for damages, the Trust will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the Securities as a result of the misrepresentation relied upon and in no case will the amount recoverable under this paragraph exceed the price at which the Securities were sold to the subscriber. Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the Securities. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six years after the day you purchased the Securities.

Rights of Purchasers in Newfoundland and Labrador, Northwest Territories, Nunavut or Prince Edward Island

If you are a resident of Newfoundland and Labrador, Northwest Territories, Nunavut or Prince Edward Island, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to rescind your agreement to buy the offered Units, or
- (b) for damages against the Trust, the selling security holder on whose behalf the distribution is made, every Person who was a Trustee at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

These statutory rights to sue are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Securities. Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to rescind the agreement within 180 days after the date that you purchased the Securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action or 3 years after the day you purchased the Securities.

ITEM 12 - FINANCIAL STATEMENTS

12.1 THE TRUST

(see attached)

Rockspring Capital Texas Real Estate Trust II

Financial Statements
December 31, 2014



May 20, 2015

Independent Auditor's Report

To the Unitholders of Rockspring Capital Texas Real Estate Trust II

We have audited the accompanying financial statements of Rockspring Capital Texas Real Estate Trust II, which comprise the statement of financial position as at December 31, 2014 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the period from formation on June 23, 2014 to December 31, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rockspring Capital Texas Real Estate Trust II as at December 31, 2014 and its financial performance and its cash flows for the period from formation on June 23, 2014 to December 31, 2014, in accordance with International Financial Reporting Standards.

Restatement of financial statements

Without modifying our opinion, we draw attention to note 6 to the financial statements as at December 31, 2014 and for the period from formation on June 23, 2014 to December 31, 2014 which indicates that these financial statements have been restated from those which we originally reported on April 29, 2015 and more extensively describes the reasons for the restatements.

PricewaterhouseCoopers LLP

Chartered Accountants

Rockspring Capital Texas Real Estate Trust II

Statement of Financial Position

As at December 31, 2014

\$

Assets

Cash and cash equivalents	3,596,601
Due from related party (note 4)	18,900
Other assets	<u>6,275</u>
	<u>3,621,776</u>

Liabilities

Accounts payable and accrued liabilities	32,817
Due to related parties (note 4)	93,190
Deposits (note 3)	<u>100,026</u>
	226,033
Net assets attributable to holders of redeemable units	<u>3,395,743</u>
	<u>3,621,776</u>

Approved on Behalf of the Trust



Rockspring Capital Texas Real Estate AdminCo II Inc.

The accompanying notes are an integral part of these financial statements.

Rockspring Capital Texas Real Estate Trust II

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

For the period from formation on June 23, 2014 to December 31, 2014

	\$
Net assets attributable to holders of redeemable units – Beginning of period	<u>-</u>
Decrease in net assets attributable to holders of redeemable units	<u>(480,883)</u>
Redeemable unit transactions (note 3)	
Proceeds from issuance of redeemable units	4,540,355
Amount paid on redemption of redeemable units	(10)
Transaction costs incurred on issuance of redeemable units	<u>(663,719)</u>
	<u>3,876,626</u>
Net increase in net assets attributable to holders of redeemable units	<u>3,395,743</u>
Net assets attributable to holders of redeemable units – End of period	<u><u>3,395,743</u></u>

The accompanying notes are an integral part of these financial statements.

For the period from formation on June 23, 2014 to December 31, 2014

The accompanying notes are an integral part of these financial statements.

Rockspring Capital Texas Real Estate Trust II

Statement of Cash Flows

For the period from formation on June 23, 2014 to December 31, 2014

	\$
Cash provided by (used in)	
Operating activities	
Decrease in net assets attributable to holders of redeemable units	(480,883)
Adjustments for	
Due from related party	(18,900)
Other assets	(6,275)
Accounts payable and accrued liabilities	32,817
Deposits	100,026
	<u>(373,215)</u>
Financing activities	
Advances from related parties	93,190
Proceeds from issuance of redeemable units	4,540,345
Transaction costs incurred on issuance of redeemable units	<u>(663,719)</u>
	<u>3,969,816</u>
Increase in cash during the period	3,596,601
Cash – Beginning of period	<u>-</u>
Cash – End of period	<u>3,596,601</u>
Supplemental information	
Interest received	123

The accompanying notes are an integral part of these financial statements.

Rockspring Capital Texas Real Estate Trust II

Notes to Financial Statements

December 31, 2014

1 General

Rockspring Capital Texas Real Estate Trust II is an unincorporated, open-ended, limited purpose, investment trust formed under the laws of the Province of Alberta on June 23, 2014 pursuant to the Declaration of Trust. If not terminated sooner, the Trust shall continue until December 31, 2024.

The Trust was formed with the objective of generating returns to unitholders through the acquisition of units in Rockspring Capital Texas Real Estate II LP (the Partnership). The Partnership was formed with the objective of investing in RCC #2, LP (the US Partnership). The US Partnership was formed with the objective of acquiring real estate related investments in the State of Texas, USA. As of December 31, 2014 the Trust has not invested in units of the Partnership and the Partnership has not invested in the US Partnership. In the next fiscal year the capital contributed to the Trust will be used to invest in the Partnership.

A limited partnership agreement governs the operations and business affairs of the Partnership. In accordance with the agreement, all operations are overseen by the general partner, Rockspring Capital Texas Real Estate GP II Inc.

The Trustee of the Trust is Computershare Trust Company of Canada as successor to Olympia Trust Company (the Trustee) and the administrator of the Trust is Rockspring Capital Texas Real Estate AdminCo II Inc. (the Administrator). The US Partnership's manager is Rockspring Capital LLC (the Manager).

Pursuant to the Declaration of Trust the Trustee may grant or delegate authority to manage the affairs of the Trust and through an executed Administration Agreement has delegated these powers to the Administrator.

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. In accordance with the Declaration of Trust, distributions to unitholders are declared at the discretion of the Trustee. It is the intention of the Trust to declare distributions not less than the amount necessary to ensure the Trust will not be subject to tax. Accordingly, the Trust will not recognize any current tax or deferred tax assets or liabilities on temporary differences.

These financial statements do not include all the assets and liabilities of the unitholders, but only those relating to the business of the Trust.

The address of the registered office of the Trust is 14920 – 128 Avenue, Edmonton, Alberta, T5V 1A6.

The financial statements were authorized for issue by the Administrator on May 20, 2015.

Rockspring Capital Texas Real Estate Trust II

Notes to Financial Statements

December 31, 2014

2 Basis of preparation and summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

The Trust's financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value.

b) New accounting pronouncements issued but not yet adopted

The Trust continues to monitor changes to accounting standards proposed by the IASB. These proposed changes may have a significant impact on future financial statements.

IFRS 9 – Financial Instruments

The final version of IFRS 9 – Financial Instruments was issued by the IASB in July 2014 and will replace *IAS 39 – Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Trust is in the process of assessing the impact of IFRS 9 and has not yet determined when they will adopt the new standard.

c) Use of estimates and significant judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements as well as the reported amount of revenues and expenses during the period. The following discusses the most significant accounting judgments that the Trust has made in preparing the financial statements.

Rockspring Capital Texas Real Estate Trust II

Notes to Financial Statements

December 31, 2014

Classification of redeemable units issued by the Trust

IAS 32 – Financial Instruments: Presentation requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or other financial assets be classified as a financial liability. As the Declaration of Trust establishes the termination date of the Trust by December 31, 2024, the Trust's units do not meet the criteria of IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities.

d) Functional and foreign currencies

The financial statements are presented in Canadian dollars, which is the Trust's functional and presentation currency.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into Canadian dollars using the exchange rate prevailing at the period-end date.

e) Cash and cash equivalents

Cash and cash equivalents are comprised of demand deposits and short-term interest bearing investments with Canadian and US financial institutions. Cash is carried at cost which approximates fair value.

f) Other assets and liabilities

Due from related party is designated as loans and receivables and recorded at cost or amortized cost. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities and reported at amortized cost. Accounts payable and accrued liabilities are short-term in nature and therefore, amortized cost approximates fair value. Balances with related parties do not have specified repayment terms, therefore their fair values cannot be determined.

g) Provisions and contingent liabilities

Provisions are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Timing or exact amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the

Rockspring Capital Texas Real Estate Trust II

Notes to Financial Statements

December 31, 2014

occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the possibility of outflow of resources is remote.

h) Revenue recognition

The Trust recognizes interest income on an accrual basis in the period in which it is earned.

i) Equity instruments

The Trust's units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be presented as financial liabilities in accordance with IAS 32 – *Financial Instruments: Presentation*.

Transaction costs relating to the issuance of the Trust's units are recognized as unit issuance costs and netted against the proceeds from issuance of the redeemable units.

3 Redeemable units

The Trust's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount.

The Declaration of Trust provides that an unlimited number of units may be issued. Each unit represents an equal undivided beneficial interest in any distribution of the Trust and in the net assets of the Trust in the event of termination or winding up of the Trust. Each unit entitles the holder thereof to participate equally in the distributions and to one vote at all meetings of unitholders for each whole unit held.

The units provide for a discretionary quarterly distribution of the Trust's distributable cash. The Trustee may declare a distribution of the Trust's cash flow quarterly on March 31, June 30, September 30 and December 31 in each year of the Trust. The distribution may be paid in full by the issuance of units or cash or any combination of units and cash.

Each unitholder shall be entitled to require the Trust to redeem all or part of their units and shall be entitled to receive a price within 12 months from the date of issue equal to an amount per unit of 85% of the subscription price paid by the unitholder, and at any time after the anniversary of the date of issue an amount per unit of 95% of the fair market value of the units, as determined by the Administrator, having reference to the financial statements and other information as the Administrator may consider appropriate. The Trust may be required to redeem up to \$75,000 of units in any given fiscal quarter, in the form of cash (the Quarterly Limit). Subject to regulatory approval, the Trust may redeem units in excess of the Quarterly Limit by distributing notes having an interest rate equal to 5% simple interest, subject to a maximum term of three years from the date of issue. The applicable interest shall accrue from the date of issue and shall be paid annually in each year the note is outstanding. The notes shall be unsecured, subordinated to any senior indebtedness and may be prepaid without penalty.

Rockspring Capital Texas Real Estate Trust II

Notes to Financial Statements

December 31, 2014

Pursuant to the Trust's Offering Memorandum dated August 12, 2014, the Trust is authorized to issue an unlimited number of units to a maximum of \$25,000,000, subject to a minimum number of units of \$500,000. The offering of the units is at the following prices:

- for the period up to October 14, 2014 – \$0.90 per unit;
- for the period from October 15, 2014 to January 29, 2015 – \$0.95 per unit; and
- after January 30, 2015 – \$1.00 per unit.

The Trust has retained a number of selling agents for the sale of the units. The Trust may pay finder's fees of up to 10% to be paid from the subscription amount to persons authorized by the Trust to sell units.

Unit transactions during the period ended December 31, 2014 were as follows:

	Number of units
Redeemable units outstanding – Beginning of period	1
Redeemable units issued for cash	4,975,572
Redeemable units redeemed	<u>(1)</u>
Redeemable units outstanding – End of period	<u>4,975,572</u>

Recorded on the Trust's statement of financial position is a deposit liability of \$100,026 which represents funds received to purchase units of the Trust for which the respective offering documents have not been completed and received in good order. Once the final subscription documents are received the proceeds will be applied to net assets attributable to holders of redeemable units.

4 Related party balances and transactions

Due from related party

	\$
Rockspring Capital Texas Real Estate Fund LP, related as it has the same Manager as the US Partnership	<u>18,900</u>

Due to related parties

	\$
JMIV Investments Inc., related as it has common owners of the Manager and Administrator	67,529
RCC #2, L.P. (US Partnership)	<u>25,661</u>
	<u>93,190</u>

Amounts due from/to related parties are unsecured, non-interest bearing and have no set terms of repayment.

Rockspring Capital Texas Real Estate Trust II

Notes to Financial Statements

December 31, 2014

Transactions and fees with related parties

Administrative fees

The Trust entered into an agreement with the Administrator whereby the Administrator will perform management and administrative services on behalf of the Trust. The fee will be \$500 per annum, and the Trust will be required to reimburse the expenses incurred by the Administrator in performing its functions.

During the period ended December 31, 2014, the Trust incurred \$500 in administration costs with the Administrator.

Management fees

The US Partnership, entered into a management agreement with the Manager. Under the terms of the agreement, the US Partnership will pay the Manager a quarterly management fee during the term of the management agreement, to be paid in advance and calculated as follows: one-quarter of the following amounts:

- i) during the investment period, an amount equal to 1.85% of the aggregate contributed capital to the Trust; and
- ii) after the investment period, an amount equal to or lesser of:
 - an amount equal to 1.85% of the fair market value of all investments held by the Trust (taking into account all investments sold since the most recent then-current appraisal was made with respect to such investment); or
 - the maximum calculated amount of \$462,500.

The Offering Memorandum defines the investment period as any time before the maximum offering of \$25,000,000 has been reached and before the Trust has closed its offering of units.

In addition to the management fee, the Manager is also entitled to an incentive fee over the Preferred Return on all capital contributions made to the Trust. The Preferred Return is calculated at 6% per year compounded annually on all amounts contributed to the Trust. The incentive fee payable to the Manager is calculated as the sum of:

- 30% of the total Preferred Return paid to unitholders; and
- 30% of the total return to unitholders thereafter.

No amounts are paid to the Manager until all capital and the Preferred Return are paid to the unitholders.

The Trust's Offering Memorandum provides complete details on all terms related to the Management incentive fee and its calculation.

Rockspring Capital Texas Real Estate Trust II

Notes to Financial Statements

December 31, 2014

As the net assets attributable to holders of redeemable units have not exceeded the Preferred Return, there has been no accrual for the Manager's incentive fee made in these financial statements.

During the period ended December 31, 2014, the US Partnership incurred management fees of \$25,661. As of December 31, 2014 the Trust has not yet invested in the Partnership which in turn has not yet invested in the US Partnership. As the future value of the investment in the Partnership will be impacted by these management fees the Trust has booked the management fees in these financial statements as it will impact the value of the investment in the Partnership when the investment is made in the next fiscal year. The amount has been recorded in the financial statements as a payable to the US Partnership.

These administrative and management fees as noted above were recorded at the exchange amount, being the consideration agreed to by the parties.

5 Financial instruments and financial risk management

Fair value

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and obligations for net assets attributable to holders of redeemable units approximate their fair values due to their short-term nature. Amounts due to related parties cannot be determined as there are no repayment terms and no active market for these items exists.

Risk management framework

The Trust employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Trust's business objectives and risk tolerance levels. While the Trustee has overall responsibility for the establishment and oversight of the Trust's risk management framework, the Manager has the responsibility to monitor these risks.

Credit risk

Credit risk is the risk of financial loss to the Trust if a counterparty to a financial instrument fails to meet its contractual obligations.

The Trust is exposed to credit risk on its cash and cash equivalents and due from related party balances. The Trust manages the credit exposure related to cash and cash equivalents by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations. The Trust's credit exposure on the due from related party balance is not material to the Trust.

Foreign currency risk

Foreign currency risk is the risk the fair value of, or future cash flows from, the Trust's financial instruments will fluctuate because of changes in foreign exchange rates.

Rockspring Capital Texas Real Estate Trust II

Notes to Financial Statements

December 31, 2014

As at December 31, 2014, the Trust held accounts payable and accrued liabilities of US\$67,529.

The Trust does not use derivative financial instruments to mitigate this risk.

Interest rate risk

Interest rate risk arises from interest rate fluctuations and the degree of volatility in these rates. The Trust's income and operating cash flows are independent of changes in market interest rates as none of the Trust's financial instruments are subject to floating interest rates.

Price risk

Price risk is the risk the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. As at December 31, 2014, the Trust was not exposed to other price risk.

Liquidity risk

Liquidity risk is the risk the Trust will not be able to meet its financial obligations as they are due. The Trust's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when they are due. The Trust's exposure to liquidity risk is concentrated in paying its short-term liabilities and cash redemptions of units. The Trust retains sufficient cash and cash equivalent positions to maintain liquidity. Redeemable units are redeemable on demand at the holder's option however, the Administrator does not expect this to be representative of the actual cash outflows as holders of these instruments typically retain them for a longer period.

Accounts payable and accrued liabilities balances are typically paid within 60 days. The due to related parties balances have no set repayment terms.

Capital risk management

The capital of the Trust is represented by the net assets attributable to holders of redeemable units with no par value. The amount of net assets attributable to holders of redeemable units can change significantly as the Trust is subject to redemptions at the discretion of unitholders. The Trusts' objective when managing capital is to safeguard the Trust's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Trust.

In order to maintain the capital structure, the Trust's policy is to monitor the level of redemptions relative to the Trust's liquid assets.

The Manager monitors capital on the basis of the value of net assets attributable to redeemable unitholders.

Rockspring Capital Texas Real Estate Trust II

Notes to Financial Statements

December 31, 2014

6 Restatement of Financial statements

A review of the application of IFRS to the Trust's previously issued financial statements for the period ended December 31, 2014 has resulted in a restatement in their presentation.

The previously issued financial statements were issued on a consolidated basis which included the operations of the Partnership and the US Partnership (the Partnerships). However, on review of IFRS it was determined that the Trust does not have control of the two Partnerships and as such the financial statements should not have been prepared on a consolidated basis. As the Trust has not yet invested in the Partnership or the US Partnership and there has been no activity in the Partnerships as of December 31, 2014, the restatement did not result in any changes to the statements of financial position at December 31, 2014 and the statements of changes in net assets attributable to holders of redeemable units, comprehensive income and cash flows for the period from formation on June 23, 2014 to December 31, 2014. Certain accounting policy and other disclosures in note 1 have been updated to reflect that the financial statements are no longer prepared on a consolidated basis.

12.2 THE PARTNERSHIP

(see attached)

Rockspring Capital Texas Real Estate II LP

Financial Statements
December 31, 2014



May 28, 2015

Independent Auditor's Report

To the Partners of Rockspring Capital Texas Real Estate II LP

We have audited the accompanying financial statements of Rockspring Capital Texas Real Estate II LP, which comprise the statement of financial position as at December 31, 2014 and the statements of partners' deficiency, net loss and comprehensive loss and cash flows for the period from date of formation on June 23, 2014 to December 31, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

Auditor's responsibility

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

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

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

PricewaterhouseCoopers LLP
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T: +1 780 441 6700, F: +1 780 441 6776

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of Rockspring Capital Texas Real Estate II LP as at December 31, 2014, and its financial performance and its cash flows for the period from formation on June 23, 2014 to December 31, 2014 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

Rockspring Capital Texas Real Estate II LP

Statement of Financial Position

As at December 31, 2014

\$

Assets

Current asset

Cash

11

Liabilities

Current liabilities

Due to related party (note 4)

25,661

Limited partner unit (note 3)

10

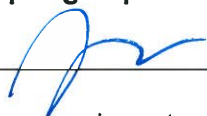
25,671

Partners' Deficiency

(25,660)

11

**Approved on Behalf of the Limited Partners by the General Partner
(Rockspring Capital Texas Real Estate GP II Inc.)**



The accompanying notes are an integral part of these financial statements.

Rockspring Capital Texas Real Estate II LP

Statement of Partners' Deficiency

For the period from formation on June 23, 2014 to December 31, 2014

	Number of general partnership units	Partners' deficiency \$
Balance – Beginning of period	-	-
Issuance of general partner unit (note 3)	1	1
Net loss for the period	-	(25,661)
Balance – End of period	<u>1</u>	<u>(25,660)</u>

The accompanying notes are an integral part of these financial statements.

Rockspring Capital Texas Real Estate II LP

Statement of Net Loss and Comprehensive Loss

For the period from formation on June 23, 2014 to December 31, 2014

	\$
Revenue	-
Management fees (note 4)	<u>25,661</u>
Net loss and comprehensive loss for the period	<u>(25,661)</u>

The accompanying notes are an integral part of these financial statements.

Rockspring Capital Texas Real Estate II LP

Statement of Cash Flows

For the period from formation on June 23, 2014 to December 31, 2014

	\$
Cash provided by (used in)	
Operating activities	
Net loss for the period	(25,661)
Adjustments for	
Due to related party	<u>25,661</u>
	-
Financing activity	
Issuance of partnership units	<u>11</u>
Net increase in cash for the period	11
Cash – Beginning of period	<u>-</u>
Cash – End of period	<u>11</u>

The accompanying notes are an integral part of these financial statements.

Rockspring Capital Texas Real Estate II LP

Notes to Financial Statements

December 31, 2014

1 General business description

Rockspring Capital Texas Real Estate II LP (the Partnership) was registered pursuant to the provisions of the Partnership Act of Alberta on June 23, 2014.

The Partnership was formed to invest in RCC #2, LP (the US Partnership). The US Partnership was formed with the objective of acquiring real estate related investments in the State of Texas, USA. The capital to invest in the US Partnership will be received from Rockspring Capital Texas Real Estate Trust II (the Trust). The Trust was formed with the objective of generating returns to unitholders through the acquisition of units in the Partnership. As of the date of these financial statements the Trust has not invested in the Partnership however, it is expected that in the next fiscal year the Trust will invest in the Partnership which will in turn invest in the US Partnership. Refer to note 8 for information related to the offering of the Trust's units.

A Limited Partnership Agreement (the Agreement), dated June 23, 2014, governs the operations and business affairs of the Partnership. In accordance with the agreement, all operations are governed by Rockspring Capital Texas Real Estate GP II Inc. (the General Partner) and the limited partners have limited rights in managing the affairs of the Partnership.

The term of the Partnership is until June 23, 2019 with the option, at the discretion of the General Partner, to extend the term to June 23, 2021.

These financial statements do not include all the assets and liabilities of the partners, but only those relating to the business of the Partnership.

The Partnership is not subject to income taxes. The net income or loss of the Partnership is allocated to the individual partners for tax purposes.

The address of the registered office of the Partnership is 14920-128 Avenue NW, Edmonton, Alberta T5U 1A6.

The financial statements were authorized for issue by the General Partner of the Partnership on May 28, 2015.

2 Basis of preparation and summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

a) Basis of preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

The Partnership's financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value.

Rockspring Capital Texas Real Estate II LP

Notes to Financial Statements

December 31, 2014

b) New accounting pronouncements issued but not yet adopted

The Partnership continues to monitor changes to accounting standards proposed by the IASB. These proposed changes may have a significant impact on future financial statements.

IFRS 9 – Financial Instruments

The final version of IFRS 9 – Financial Instruments was issued by the IASB in July 2014 and will replace *IAS 39 – Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Partnership is in the process of assessing the impact of IFRS 9 and has not yet determined when they will adopt the new standard.

c) Use of estimates and significant judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements as well as the reported amount of revenues and expenses during the period. The following discusses the most significant accounting judgments that the Partnership has made in preparing the financial statements.

Limited partnership units

The Partnership has issued partnership units to limited partners. In determining whether these should be classified as liabilities or equity, management has assessed whether the Partnership units contain a contractual agreement to deliver cash or another financial asset to another entity, whether the units are puttable, and whether the criteria in IAS 32 Financial Instruments: Presentation which permit the classification of a puttable instrument, or an instrument where there is a contractual obligation to deliver cash, as equity has been satisfied.

The Partnership's units are not considered puttable instruments however the units require the Partnership to deliver a pro rata share of the net assets on liquidation. As the Partnership has a limited term this creates an obligation and requires the units to be accounted for as financial liabilities.

Rockspring Capital Texas Real Estate II LP

Notes to Financial Statements

December 31, 2014

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

d) Functional currency

The financial statements are presented in Canadian dollars, which is the Partnership's functional and presentation currency.

e) Cash

Cash consist of bank balances.

f) Financial instruments

All financial instruments are initially measured at fair value. Financial assets and financial liabilities are measured subsequently based on their classification.

Financial assets are classified as either fair value through profit or loss, loans and receivables, held to maturity, or available for sale. Financial liabilities are classified as fair value through profit or loss, or other financial liabilities. Financial assets or liabilities at fair value through profit or loss include instruments classified as held-for-trading or designated upon initial recognition at fair value through profit or loss. Financial assets or liabilities at fair value through profit or loss are measured at fair value with all gains and losses included in net income in the period in which they arise. Available for sale financial assets are measured at fair value with gains and losses, net of tax, included in other comprehensive income until the instruments are derecognized or impaired, at which time the gains or losses are recorded in net income. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method.

The Partnership has the following financial assets and liabilities for which it has selected the following classification:

	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Due to related party	Other financial liabilities	Amortized cost

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Rockspring Capital Texas Real Estate II LP

Notes to Financial Statements

December 31, 2014

g) Provisions and contingent liabilities

Provisions are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Timing or exact amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the possibility of outflow of resources is remote.

3 Partners' capital

The Partnership may issue an unlimited number of limited partnership Units (Units). As disclosed in note 2(c) the limited partner Units are recorded in these financial statements as a liability.

The initial limited partner was issued 1 Unit for cash of \$10. The General Partner was issued 1 Unit for cash of \$1.

The General Partner may, in its discretion, return to the limited partners, their original capital contribution (less the amount of cash or the agreed value of property which has been previously paid or distributed with respect to such Unit on account of capital), in such amounts as the General Partner may determine, pro rata in proportion to the number of Units held by each limited partner.

During the term of the Partnership, the Partnership unitholders shall be entitled to an amount equal to 6% per annum, compounded annually, calculated on the capital contribution of the Units (the Preferred Return). The Preferred Return shall be cumulative from the first day of the month immediately following the month in which the capital contribution occurred until the date the unitholder's capital contribution is returned through distributions.

Net income or net loss of the Partnership is allocated as follows:

- a) Firstly, 0.01% to the General Partner;
- b) Secondly, 99.99% to the limited partners in accordance with their proportionate shares

Rockspring Capital Texas Real Estate II LP

Notes to Financial Statements

December 31, 2014

The distributable cash of the Partnership is allocated as follows:

- i) firstly, to the limited partners to the extent of their unreturned capital contributions, whereupon distributions shall thereafter be made;
- ii) secondly, to the limited partners, in accordance with their proportionate shares until there has been distributed to the limited partners an amount of cash equal to such limited partners' then cumulative preferred return deficiency, if any;
- iii) then, 0.01% to the General Partner and 99.99% to the limited partners in accordance with their proportionate shares.

The amount of distributions owed to the limited partners is accrued and presented as a current liability. As at December 31, 2014 there were no distributions accrued.

4 Transactions and fees with related parties

Management fees

The US Partnership, entered into a management agreement with Rockspring Capital L.L.C. (the Manager). Under the terms of the agreement, the US Partnership will pay the Manager a quarterly management fee during the term of the management agreement, to be paid in advance and calculated as follows: one-quarter of the following amounts:

- i) during the investment period, an amount equal to 1.85% of the aggregate contributed capital to the Trust; and
- ii) after the investment period, an amount equal to or lesser of:
 - an amount equal to 1.85% of the fair market value of all investments held by the Trust (taking into account all investments sold since the most recent then-current appraisal was made with respect to such investment); or
 - the maximum calculated amount under (i).

The Offering Memorandum of the Trust defines the investment period as any time before the maximum offering of \$25,000,000 has been reached and before the Trust has closed its offering of units.

In addition to the management fee, the Manager is also entitled to an incentive fee over the Preferred Return on all capital contributions made to the Trust. The Preferred Return is calculated at 6% per year compounded annually on all amounts contributed to the Trust. The incentive fee payable to the Manager is calculated as the sum of:

- 30% of the total Preferred Return paid to unitholders; and
- 30% of the total return to unitholders thereafter.

Rockspring Capital Texas Real Estate II LP

Notes to Financial Statements

December 31, 2014

The Trust's Offering Memorandum provides complete details on all terms related to the Management incentive fee and its calculation.

During the period ended December 31, 2014, the US Partnership incurred management fees of \$25,661. As of December 31, 2014 the Partnership has not yet invested in the US Partnership. As the future value of the investment in the US Partnership will be impacted by these management fees the Partnership has booked the management fees in these financial statements as it will impact the value of the investment in the US Partnership when the investment is made in the next fiscal year. The amount has been recorded in the financial statements as a payable to the US Partnership.

5 Financial instruments and financial risk management

Fair value

The fair value of a financial instrument is the estimated amount that the Partnership would receive or pay to settle the financial assets and liabilities at the reporting date.

The fair value of cash and due to related party approximates their carrying amounts due to their short term nature.

Risk management framework

The Partnership employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Partnership's business objectives and risk tolerance levels. While the General Partner has overall responsibility for the establishment and oversight of the Partnership's risk management framework, management has the responsibility to administer and monitor these risks.

Credit risk

Credit risk is the risk of financial loss to the Partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Cash consists of bank balances. The Partnership manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Foreign currency risk

Foreign currency risk is the risk the fair value of, or future cash flows from, the Partnership's financial instruments will fluctuate because of changes in foreign exchange rates.

As at December 31, 2014, the Partnership held no financial instruments denominated in foreign currencies.

Rockspring Capital Texas Real Estate II LP

Notes to Financial Statements

December 31, 2014

Interest rate risk

Interest rate risk arises from interest rate fluctuations and the degree of volatility in these rates. The Partnership's income and operating cash flows are independent of changes in market interest rates as none of the Partnership's financial instruments are subject to floating interest rates.

Price risk

Price risk is the risk the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. As at December 31, 2014, the Partnership was not exposed to other price risk.

Liquidity risk

Liquidity risk is the risk the Partnership will not be able to meet its financial obligations as they are due. The Partnership's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when they are due. The Partnership's exposure to liquidity risk is concentrated in paying its short-term liabilities and cash redemptions of Units. The Partnership is not exposed to liquidity risk on its amount due to related party as this amount will not be settled by cash, rather it will impact the future value in the investment in the US Partnership (note 4).

6 Capital management

The capital of the Partnership is represented by Partners' capital with no par value and the limited partner redeemable units. The amount of Partners' capital can change significantly as the Partnership is subject to redemptions at the discretion of the GP. The Partnerships' objective when managing capital is to safeguard the Partnership's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Partnership.

In order to maintain the capital structure, the Partnership's policy is to monitor the level of redemptions relative to the Partnership's liquid assets.

The Partnership is not subject to externally imposed capital requirements.

7 Commitments

The Partnership entered into a funding agreement dated June 23, 2014 with the Trust, whereby the Partnership has agreed to pay without limitation all costs incurred by the Trust in connection with the Offering Memorandum, and in the administration of investors in the Trust on a post-closing basis. As of the date of these financial statements, the Trust has not closed the offering of its units.

Rockspring Capital Texas Real Estate II LP

Notes to Financial Statements

December 31, 2014

8 Offering of the Trust

The Trust has prepared an Offering Memorandum, for the offer of Units of the Trust with up to aggregate maximum total gross proceeds of \$25,000,000 and aggregate minimum total gross proceeds of \$500,000 at the following prices:

- For the period until October 14, 2014 – \$0.90 per unit;
- For the period from October 15, 2014 to January 29, 2015 – \$0.95 per unit;
- As of January 1, 2015 – \$1 per unit.

The Trustee, the Trust and Rockspring Capital Texas Real Estate Adminco II Inc. (the Administrator) have entered into an administration agreement, whereby the Administrator will administer the Trust on behalf of the Trustee. The proceeds from the issue of the Units will be paid to the Trust and administered on behalf of the Trust by the Administrator. The Administrator will use the funds to acquire limited partnership units in the Partnership and to loan funds to the US Partnership. The number of limited partnership units to be acquired and amount of funds loaned by the Trust will be contingent on the amount of funds raised pursuant to the offering. The Trust will be the only holder of limited partnership units in the Partnership.

The Trust expects the offering of units will be closed in the next fiscal year.

12.3 THE GENERAL PARTNER

(see attached)

**Rockspring Capital Texas
Real Estate GP II Inc.**

Consolidated Financial Statements
December 31, 2014



May 28, 2015

Independent Auditor's Report

To the Shareholder of Rockspring Capital Texas Real Estate GP II Inc.

We have audited the accompanying consolidated financial statements of Rockspring Capital Texas Real Estate GP II Inc. which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of changes in shareholder's deficiency, net loss and comprehensive loss and cash flows for the period from incorporation on April 29, 2014 to December 31, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

*PricewaterhouseCoopers LLP
TD Tower, 10088 102 Avenue NW, Suite 1501, Edmonton, Alberta, Canada T5J 3N5
T: +1 780 441 6700, F: +1 780 441 6776*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rockspring Capital Texas Real Estate GP II Inc. as at December 31, 2014 and its financial performance and its cash flows for the period from incorporation on April 29, 2014 to December 31, 2014 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

Rockspring Capital Texas Real Estate GP II Inc.

Consolidated Statement of Financial Position

As at December 31, 2014

\$

Assets

Current asset

Cash

20

Liabilities

Current liabilities

Due to related party (note 5)

25,661

Limited partner unit (note 4)

10

25,671

Shareholders' Deficiency

Share capital (note 3)

10

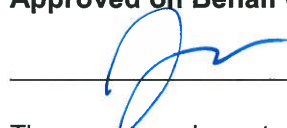
Deficit

(25,661)

(25,651)

20

Approved on Behalf of the Board



Director



Director

The accompanying notes are an integral part of these consolidated financial statements.

Rockspring Capital Texas Real Estate GP II Inc.

Consolidated Statement of Changes in Shareholder's Deficiency

For the period from incorporation on April 29, 2014 to December 31, 2014

	Share capital \$	Deficit \$	Total \$
Balance – Beginning of period	-	-	-
Issuance of share capital (note 3)	10	-	10
Net loss for the period	-	(25,661)	(25,661)
Balance – End of period	10	(25,661)	(25,651)

The accompanying notes are an integral part of these consolidated financial statements.

Rockspring Capital Texas Real Estate GP II Inc.

Consolidated Statement of Net Loss and Comprehensive Loss

For the period from incorporation on April 29, 2014 to December 31, 2014

	\$
Revenue	-
Management fees (note 5)	<u>25,661</u>
Net loss and comprehensive loss for the period	<u>(25,661)</u>

The accompanying notes are an integral part of these consolidated financial statements.

Rockspring Capital Texas Real Estate GP II Inc.

Consolidated Statement of Cash Flows

For the period from incorporation on April 29, 2014 to December 31, 2014

	\$
Cash provided by (used in)	
Operating activities	
Net loss for the period	(25,661)
Adjustment for	
Due to related party	<u>25,661</u>
	<u>-</u>
Financing activity	
Proceeds from issuance of share capital	10
Proceeds from issuance of limited partnership units	<u>10</u>
	<u>20</u>
Net increase in cash for the period	20
Cash – Beginning of period	<u>-</u>
Cash – End of period	<u>20</u>

The accompanying notes are an integral part of these consolidated financial statements.

Rockspring Capital Texas Real Estate GP II Inc.

Notes to Consolidated Financial Statements

December 31, 2014

1 General business description

Rockspring Capital Texas Real Estate GP II Inc. (the Company) was incorporated pursuant to the provisions of the Business Corporations Act of Alberta on April 29, 2014. The Company acts as general partner for Rockspring Capital Texas Real Estate II LP (the Partnership). The Partnership is a limited partnership registered pursuant to the provisions of the Partnership Act of Alberta on June 23, 2014.

The Partnership was formed to invest in RCC #2, LP (the US Partnership). The US Partnership was formed with the objective of acquiring real estate related investments in the State of Texas, USA. The capital to invest in the US Partnership will be received from Rockspring Capital Texas Real Estate Trust II (the Trust). The Trust was formed with the objective of generating returns to unitholders through the acquisition of units in the Partnership. As of the date of these financial statements the Trust has not invested in the Partnership however, it is expected that in the next fiscal year the Trust will invest in the Partnership which will in turn invest in the US Partnership. Refer to note 9 for information related to the offering of the Trust's units.

A Limited Partnership Agreement (the "Agreement"), dated June 23, 2014, governs the operations and business affairs of the Partnership. In accordance with the agreement, all operations are overseen by the general partner.

As the general partner of the Partnership, the Company is entitled to allocations of net income or net loss and distributions of distributable cash from the Partnership.

The term of the Partnership is until June 23, 2019 with the option, at the discretion of the Company, as general partner to extend the term to June 23, 2021.

The address of the registered office of the Company is 14920-128 Avenue NW, Edmonton, Alberta T5U 1A6.

The financial statements were authorized for issue by the board of directors of the Company on May 28, 2015.

2 Basis of preparation and summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

a) Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

The Company's consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value.

Rockspring Capital Texas Real Estate GP II Inc.

Notes to Consolidated Financial Statements

December 31, 2014

b) Basis of consolidation

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the Company and the Partnership, from its date of registration. The Company does not own the majority of the outstanding units in the Partnership, but has determined that it controls the Partnership as it has the power to govern the financial and operating policies of the Partnership under the terms of the Agreement. Under the terms of the Agreement, the Company has the power to make all business decisions and transact on behalf of the Partnership. The Company can only be removed as general partner of the Partnership if it enters bankruptcy or receivership, or the occurrence of any gross negligence, wilful misconduct or fraud on the part of the Company, and the limited partners pass a special resolution to remove the Company as the General Partner. The special resolution requires that 66 2/3% of the voting partnership units vote and are in favor.

All inter-company transactions and balances are eliminated. The Company attributes total comprehensive income or loss of the Partnership between the owners of the Company and the Partnership based on the terms of the Agreement. The Partnership's units and share of the Partnership's operating results are presented as non-controlling interest. The Company has applied uniform accounting policies throughout all consolidated entities and reporting dates of the Partnership are consistent with the Company.

c) New accounting pronouncements issued but not yet adopted

The Company continues to monitor changes to accounting standards proposed by the IASB. These proposed changes may have a significant impact on future consolidated financial statements.

IFRS 9 – Financial Instruments

The final version of IFRS 9 – Financial Instruments was issued by the IASB in July 2014 and will replace *IAS 39 – Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9 and has not yet determined when they will adopt the new standard.

Rockspring Capital Texas Real Estate GP II Inc.

Notes to Consolidated Financial Statements

December 31, 2014

d) Use of estimates and significant judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements as well as the reported amount of revenues and expenses during the period. The following discusses the most significant accounting judgments that the Company has made in preparing the financial statements.

Limited partnership units

The Partnership has issued partnership units to limited partners. In determining whether these should be classified as liabilities or equity, management has assessed whether the Partnership units contain a contractual agreement to deliver cash or another financial asset to another entity, whether the units are puttable, and whether the criteria in IAS 32 Financial Instruments: Presentation which permit the classification of a puttable instrument, or an instrument where there is a contractual obligation to deliver cash, as equity has been satisfied.

The Partnership's units are not considered puttable instruments however the units require the Partnership to deliver a pro rata share of the net assets on liquidation. As the Partnership has a limited term this creates an obligation and requires the units to be accounted for as financial liabilities.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

e) Functional currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

f) Cash

Cash consist of bank balances.

g) Financial instruments

All financial instruments are initially measured at fair value. Financial assets and financial liabilities are measured subsequently based on their classification.

Rockspring Capital Texas Real Estate GP II Inc.

Notes to Consolidated Financial Statements

December 31, 2014

Financial assets are classified as either fair value through profit or loss, loans and receivables, held to maturity, or available for sale. Financial liabilities are classified as fair value through profit or loss, or other financial liabilities. Financial assets or liabilities at fair value through profit or loss include instruments classified as held-for-trading or designated upon initial recognition at fair value through profit or loss. Financial assets or liabilities at fair value through profit or loss are measured at fair value with all gains and losses included in net income in the period in which they arise. Available for sale financial assets are measured at fair value with gains and losses, net of tax, included in other comprehensive income until the instruments are derecognized or impaired, at which time the gains or losses are recorded in net income. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has the following financial assets and liabilities for which it has selected the following classification:

	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Due to related party	Other financial liabilities	Amortized cost

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

h) Provisions and contingent liabilities

Provisions are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Timing or exact amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the possibility of outflow of resources is remote.

Rockspring Capital Texas Real Estate GP II Inc.

Notes to Consolidated Financial Statements

December 31, 2014

i) Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Income tax expense or recovery is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case it is recognized in equity or in other comprehensive income, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, plus any adjustment to tax payable in respect to previous periods.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, including the carry forward of non-capital losses, can be utilized.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities, where the intention is to settle current tax liabilities and assets on a net basis or to realize the current tax assets and settle the current liabilities simultaneously.

j) Equity instruments

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Rockspring Capital Texas Real Estate GP II Inc.

Notes to Consolidated Financial Statements

December 31, 2014

3 Share capital

Authorized

Unlimited number of voting common shares

Unlimited number of non-voting preferred shares

Issued during the period for cash

	\$
100 common shares	<u>10</u>

4 Partnership units

The Partnership may issue an unlimited number of Partnership Units (Units). As disclosed in note 2(d) the limited partner Units are recorded in these financial statements as a liability.

The initial limited partner was issued 1 Unit for cash of \$10.

The Company as the general partner may, in its discretion, return to the limited partners, their original capital contribution (less the amount of cash or the agreed value of property which has been previously paid or distributed with respect to such Unit on account of capital), in such amounts as the general partner may determine, pro rata in proportion to the number of Units held by each limited partner.

During the term of the Partnership, the Partnership unitholders shall be entitled to an amount equal to 6% per annum, compounded annually, calculated on the capital contribution of the Units (the "Preferred Return"). The Preferred Return shall be cumulative from the first day of the month immediately following the month in which the capital contribution occurred until the date the unitholder's capital contribution is returned through distributions.

Net income or net loss of the Partnership is allocated as follows:

- a) Firstly, 0.01% to the general partner;
- b) Secondly, 99.99% to the limited partners in accordance with their proportionate shares

The distributable cash of the Partnership is allocated as follows:

- i) firstly, to the limited partners to the extent of their unreturned capital contributions, whereupon distributions shall thereafter be made;
- ii) secondly, to the limited partners, in accordance with their proportionate shares until there has been distributed to the limited partners an amount of cash equal to such limited partners' then cumulative preferred return deficiency, if any;

Rockspring Capital Texas Real Estate GP II Inc.

Notes to Consolidated Financial Statements

December 31, 2014

- iii) then, 0.01% to the general partner and 99.99% to the limited partners in accordance with their proportionate shares.

The amount of distributions owed to the limited partners is accrued and presented as a current liability. As at December 31, 2014 there were no distributions accrued.

5 Transactions and fees with related parties

Management fees

The US Partnership, entered into a management agreement with Rockspring Capital L.L.C. (the Manager). Under the terms of the agreement, the US Partnership will pay the Manager a quarterly management fee during the term of the management agreement, to be paid in advance and calculated as follows: one-quarter of the following amounts:

- i) during the investment period, an amount equal to 1.85% of the aggregate contributed capital to the Trust; and
- ii) after the investment period, an amount equal to or lesser of:
 - an amount equal to 1.85% of the fair market value of all investments held by the Trust (taking into account all investments sold since the most recent then-current appraisal was made with respect to such investment); or
 - the maximum calculated amount under (i).

The Offering Memorandum of the Trust defines the investment period as any time before the maximum offering of \$25,000,000 has been reached and before the Trust has closed its offering of units.

In addition to the management fee, the Manager is also entitled to an incentive fee over the Preferred Return on all capital contributions made to the Trust. The Preferred Return is calculated at 6% per year compounded annually on all amounts contributed to the Trust. The incentive fee payable to the Manager is calculated as the sum of:

- 30% of the total Preferred Return paid to unitholders; and
- 30% of the total return to unitholders thereafter.

The Trust's Offering Memorandum provides complete details on all terms related to the Management incentive fee and its calculation.

Rockspring Capital Texas Real Estate GP II Inc.

Notes to Consolidated Financial Statements

December 31, 2014

During the period ended December 31, 2014, the US Partnership incurred management fees of \$25,661. As of December 31, 2014 the Partnership has not yet invested in the US Partnership. As the future value of the investment in the US Partnership will be impacted by these management fees the Partnership has recorded the management fees in these consolidated financial statements as it will impact the value of the investment in the US Partnership when the investment is made in the next fiscal year. The amount has been recorded in the financial statements as a payable to the US Partnership.

6 Financial instruments and financial risk management

Fair value

The fair value of a financial instrument is the estimated amount that the Company would receive or pay to settle the financial assets and liabilities at the reporting date.

The fair value of cash and due to related party approximates their carrying amounts due to their short term nature.

Risk management framework

The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework, management has the responsibility to administer and monitor these risks.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Cash consists of bank balances. The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Foreign currency risk

Foreign currency risk is the risk the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates.

As at December 31, 2014, the Company held no financial instruments denominated in foreign currencies.

Rockspring Capital Texas Real Estate GP II Inc.

Notes to Consolidated Financial Statements

December 31, 2014

Interest rate risk

Interest rate risk arises from interest rate fluctuations and the degree of volatility in these rates. The Company's income and operating cash flows are independent of changes in market interest rates as none of the Company's financial instruments are subject to floating interest rates.

Price risk

Price risk is the risk the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. As at December 31, 2014, the Company was not exposed to other price risk.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when they are due. The Partnership's exposure to liquidity risk is concentrated in paying its short-term liabilities and cash redemptions of Units. The Company is not exposed to liquidity risk on its amount due to related party as this amount will not be settled by cash, rather it will impact the future value in the investment in the US Partnership (note 5).

7 Capital management

The primary objectives of the Company's capital management are to invest in a diversified portfolio of well-located quality investment properties with positive cash flows in order to generate positive returns for limited partners and shareholders, and meet the requirements of its debt obligations.

The Company will manage its capital structure and make changes to it in light of changes in economic conditions and the risk characteristics of the nature of the business.

There were no changes in the Company's approach to capital management from incorporation to December 31, 2014.

The Company is not subject to externally imposed capital requirements.

8 Commitments

The Partnership entered into a funding agreement dated June 23, 2014 with the Trust, whereby the Partnership has agreed to pay without limitation all costs incurred by the Trust in connection with the Offering Memorandum, and in the administration of investors in the Trust on a post-closing basis. As of the date of these financial statements, the Trust has not closed the offering of its units.

Rockspring Capital Texas Real Estate GP II Inc.

Notes to Consolidated Financial Statements

December 31, 2014

9 Offering of the Trust

The Trust has prepared an Offering Memorandum, for the offer of Units of the Trust with up to aggregate maximum total gross proceeds of \$25,000,000 and aggregate minimum total gross proceeds of \$500,000 at the following prices:

- For the period until October 14, 2014 – \$0.90 per unit;
- For the period from October 15, 2014 to January 29, 2015 – \$0.95 per unit;
- As of January 1, 2015 – \$1 per unit.

The Trustee, the Trust and Rockspring Capital Texas Real Estate Adminco II Inc. (the Administrator) have entered into an administration agreement, whereby the Administrator will administer the Trust on behalf of the Trustee. The proceeds from the issue of the Units will be paid to the Trust and administered on behalf of the Trust by the Administrator. The Administrator will use the funds to acquire limited partnership units in the Partnership and to loan funds to the US Partnership. The number of limited partnership units to be acquired and amount of funds loaned by the Trust will be contingent on the amount of funds raised pursuant to the offering. The Trust will be the only holder of limited partnership units in the Partnership.

The Trust expects the offering of units will be closed in the next fiscal year.

ITEM 13 - DATE AND CERTIFICATE

Dated: May 28, 2015

This Offering Memorandum does not contain a misrepresentation.

ROCKSPRING CAPITAL TEXAS REAL ESTATE TRUST II
by its Administrator

ROCKSPRING CAPITAL TEXAS REAL ESTATE ADMINCO II
INC.

Per:



JAMES MCALISTER, IV, Director