R O M S P E N

2009 Annual Report

Contents

The cover illustrates a range of properties for which Romspen has provided mortgages, (left to right):

Row 1: Downtown Porsche, Toronto, ON; Eco Industrial Business Park, Calgary, AB; The Docks Nightclub & Venue, Toronto, ON; Churchill Estates Condominiums, Calgary, AB.

Row 2: Guild - 51st Ave Business Centre, Edmonton, AB; Dundas Square, Toronto, ON; Ecocité, Ottawa, ON; Mapleview Drive Service Station, Barrie, ON.

Row 3: Transamerica Broadmoor Place, Edmonton, AB; Emmanuel Village Residences, Kitchener, ON; Monterra on Cochrane Lakes, Cochrane, AB; Bear Mountain Resort, Langford, BC.

Row 4: One St. Thomas Street Condominiums, Toronto, ON; Kawartha Downs Racetrack, Peterborough, ON; Medallion Business Centre, Calgary, AB; Bellevue Self Storage, Belleville, ON.

Row 5: Haldimand Landfill Site, Cayuga, ON; Revelstoke Resort, Revelstoke, BC; Falcon Golf Course, Hudson, QC; 1st Sarnia Place, Sarnia, ON.

Romspen Business & Principles

Romspen has a long-term track record of successful mortgage investing across Canada. With its origins in the mid-60's, Romspen is one of the largest non-bank commercial/industrial mortgage lenders in Canada. The Fund's investment mandate is focused on capital preservation, absolute returns of 10% and performance consistency. Our investors are high net-worth individuals, trusts and endowments. Through disciplined investing we have generated consistent returns of approximately 10% annually for our investors. Romspen's management is guided by the following operating principles in the conduct of its business.

investor value – Our primary objective is to protect unitholder capital while providing a safe and consistent cash return that targets an absolute yield of 10%.

commitment – Managers should be owners. As such, we have committed a significant portion of our net worth to the Fund and as a management group, are the largest investor in the Fund.

partnership – We work collaboratively with our borrowers and syndication partners to ensure mutual success, even during difficult and unforeseen circumstances.

long-term perspective – While we don't choose to own property, we make lending decisions on the assumption we would be comfortable owning a property for the value of the mortgage. Our intention is to achieve consistent long-term returns through mortgage lending by applying proven strategies for financial and real estate management.

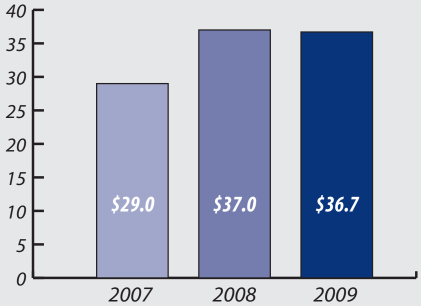
risk management – As managers, it is our responsibility to identify and manage the risk inherent with the mortgage portfolio. Rigorous property and borrower due diligence is fundamental to our lending decisions. Diversification by borrower, geography, property type and size is a deliberate strategy to smooth the effect of the business cycle over the long term.

responsibility – It is our responsibility to provide forthright reporting to our unitholders at all times. We will communicate fully and promptly about problems and opportunities facing the Fund.

Romspen Mortgage Investment Fund – 2009 Highlights

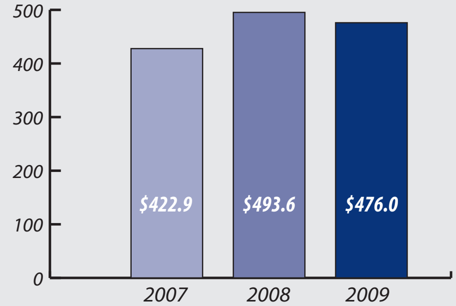
Key Metrics

Net Income
($ millions)



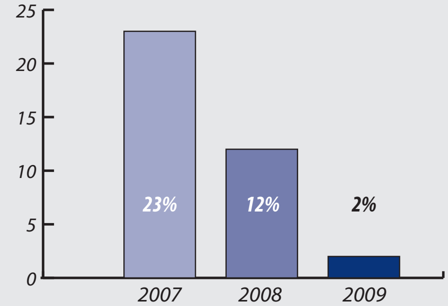
Strong net income

Mortgage Portfolio
($ millions)



Steady fund portfolio

Net Leverage
(% mortgage portfolio)

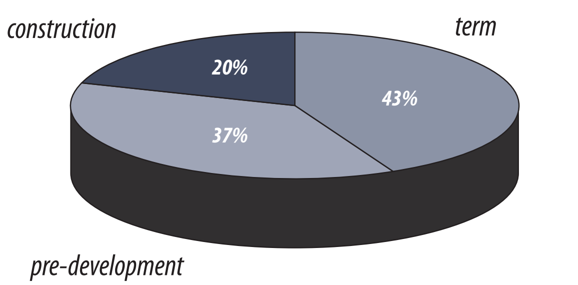


Low financial leverage

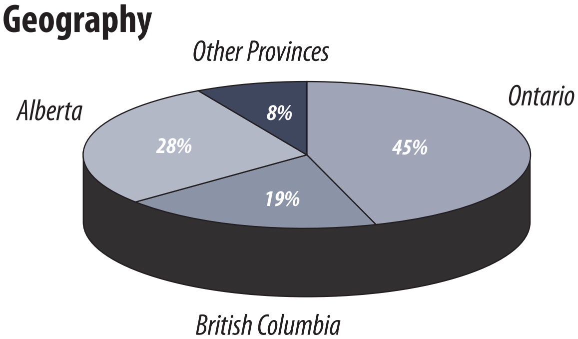
Mortgage Portfolio Profile

As of December 31, 2009

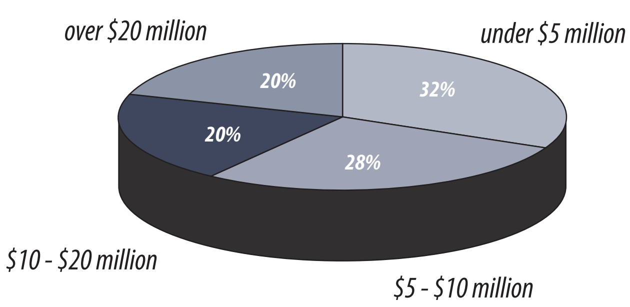
By Type



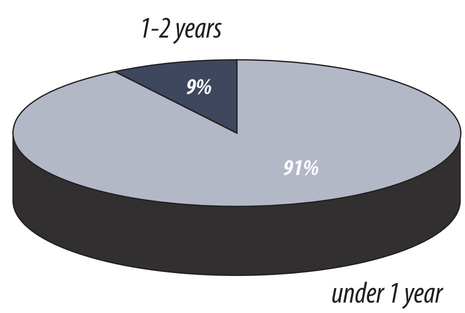
By Geography



By Amount



By Maturity

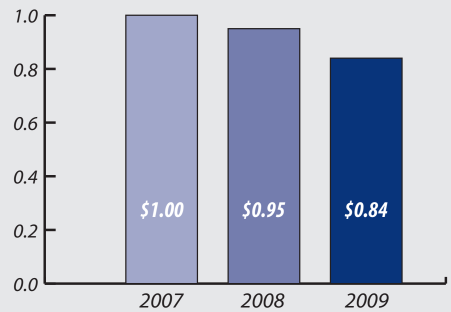


The mortgage portfolio remains well diversified.

Unitholder Value
($/unit)

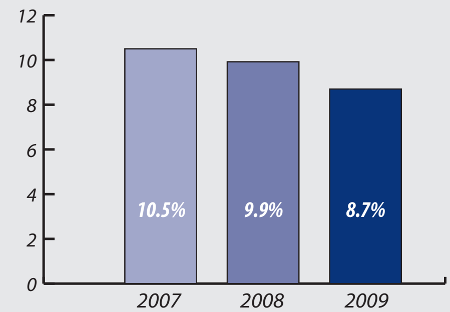
Stable unit value

Unitholder Distributions
($/unit)



Solid, but reduced distributions

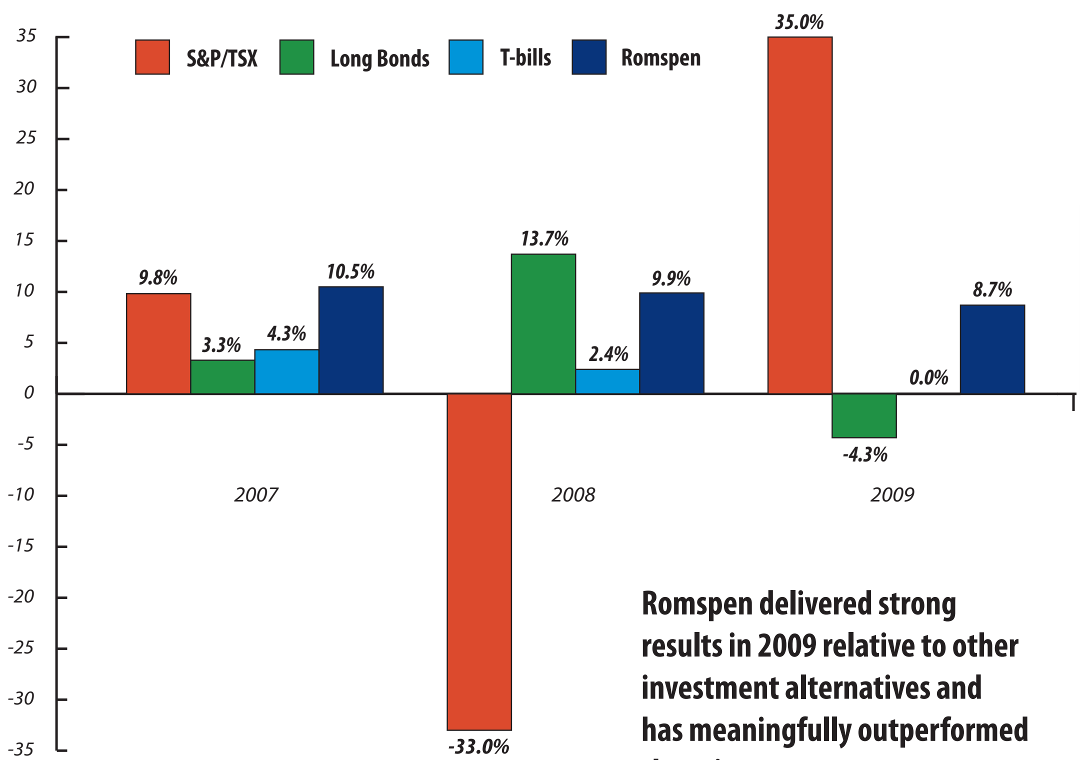
Unitholder Returns
(annual compounded %)



Strong, but lower returns

Comparative Performance

Annual % Return



3 Year Accumulated Compounded Return

Romspen	**32%**
Long Bonds	**12%**
T-bills	**8%**
S&P/TSX	**-1%**

Romspen delivered strong results in 2009 relative to other investment alternatives and has meaningfully outperformed these investments over the past 3 years.

Source: Statistics Canada, Bank of Canada, RMIF Annual Reports

Trustees' Report

Dear Fellow Investors:

While Romspen performed well in 2009, navigating through the challenges of the year was anything but simple. The financial crisis and resultant economic downturn posed difficult conditions for borrowers as they struggled through one of the worst recessions since the Great Depression. We worked diligently through these challenges to achieve better results by extending credit, providing advice, being prudently patient and, in some cases, taking over and completing projects. Even though our absolute performance was below last year, and in fact our lowest yearly return in the past decade, we continued to outperform other fixed income alternatives and remain decidedly ahead of other major asset class performance on a longer-term basis.

Financial Highlights

For the year ending December 31, 2009, Romspen earned net income of $36.7 million or $0.80 per unit compared to $37.0 million or $0.93 per unit in 2008. Investor distributions were $0.84 per unit compared to $0.95 per unit last year. The compounded monthly net return to investors was 8.7% compared to 9.9% last year. Lower results compared to 2008 reflect an increase in loan loss reserves and our decision to not accrue interest on certain under-performing mortgages. Specifically, the Fund added $2.5 million ($0.05/unit) to its loss provision during the year, increasing the total loss provision to $9.8 million or 2% of gross mortgage investments. Losses of $0.5 million were realized during the year and charged against the provision.

At December 31, 2009, the net mortgage portfolio remained stable at $476.0 million, a decrease of 4% compared to the same time last year. An unexpectedly high level of mortgages paying off in the fourth quarter of the year due to improved credit market conditions accounted for the modest contraction in the portfolio. Investors held units totalling $483.1 million compared to $444.1 million last year. Net debt (debt less cash) at $9.7 million or 2% of net mortgages, was meaningfully reduced from last year's level of $59.5 million or 12%. The weighted average interest rate of the mortgage portfolio strengthened modestly throughout the year from 11.9% in 2008 to 12.2% in 2009.

Investment Markets Remain Challenging

Investors experienced extraordinary events in 2009 as the financial crisis that began in mid–2007 continued to work its way through the global economy. Extreme volatility was exhibited in many market and financial sectors in response to forced liquidations, massive deleveraging, contracting liquidity and financial malfeasance. The initial crisis, combined with the response by both businesses and governments, has resulted in high unemployment; unprecedented levels of government debt; anaemic economic growth and historically low interest rates. Large structural shifts are taking place in the economy and a rebalancing is underway. It is difficult to fully predict the secondary and tertiary effects of all these forces on the economy or Romspen's business. Our best view is that while we believe the worst of the crisis is over, the recovery will be protracted and likely choppy as it will be interrupted by the reverberating effects of the initial crisis.

Canada has so far remained somewhat insulated from the most extreme effects of this crisis, due to its stronger financial institutions; lack of any significant sub-prime mortgage market; a strong natural resource base and stronger government financial position. Despite this, few businesses or investments have escaped the impact of the financial crisis. In the Canadian commercial real estate market, activity remains slow, although stabilized, from the lows of 2008 and earlier part of 2009. Commercial real estate values remain soft; project financing and refinancing difficult; vacancies elevated and project completion slow.

Strategy & Risk Management

An important driver of Romspen's success has been our focus on a simple strategy that has continued to guide our investment thinking. Effective execution of this long-standing strategy has produced excellent returns over all periods and, convincingly, over the past three very difficult years in the economy. Specifically, our investment strategy is based on the following:

Capital Preservation. This is at the centre of how we manage risk, deploy capital and create opportunities. We have cultivated a prudent risk management philosophy by only taking on risks we can understand and can be managed within an acceptable level.

Absolute Returns. This keeps us disciplined in what we do and unconcerned about chasing a "big score" or pursuing a high-growth strategy by lowering our return threshold.

Consistency. Our results reflect a rigorous process-driven approach and sticking to very basic, time-proven lending standards such as: conservative loan-to-value ratios; portfolio diversification across a range of metrics and limited financial leverage.

While few investment strategies work under all economic scenarios or outperform over long time periods, Romspen's strategy, as applied to mortgage investing, has delivered strong results. The current economic environment has certainly proved challenging and within the current portfolio, certain loans are not performing to their terms with extended maturities, delayed payments and in some cases requiring foreclosure by the Fund. Effectively managing these more difficult situations is all part of how we preserve capital, create value and generate returns for the Fund over the long term.

Superior Long-Term Track Record

During 2009, Romspen's 8.7% return outperformed T-bills and long bonds while the S&P/TSX performed inversely to last year, rising a strong 35% to recoup much of the losses from 2008. While investment results for the current year are important, it is the consistency of a solid long-term investment track record that makes a difference and creates real wealth. This is where we believe Romspen's investment approach convincingly stands out with superior performance against other investment vehicles.

Over the past three years, Romspen has strongly outperformed all of the major investment benchmarks including every one of the top 180 mutual funds in Canada. Specifically, for the three-year period ending December 31, 2009, Romspen has delivered accumulated returns of 32% compared to 12%, 8% and -1% for long bonds, T-bills and the stock market respectively. Said another way, a $10.00 investment in January 2007 would have returned $3.20 to an investor in Romspen compared to only $1.20 in long bonds, $0.80 in T-bills, with the stock market losing $0.10. Examining our performance over the past 10 years to December 31, 2009, Romspen meaningfully outperformed these benchmarks as well with accumulated returns of 158%, compared to 103% for long bonds, 36% for T-bills and 73% for the stock market.

As important, we have achieved these returns somewhat consistently each year in contrast to other investment alternatives that have been highly volatile and unpredictable. This consistency is an important aspect of how we manage risk and is valued by our investors. Even though our performance was at the low end of our historic performance in 2009, it continues to validate our investment strategy under the most stressful of economic conditions.

Outlook

We are quite happy to put 2009 behind us. It was a tough year. While it ended on a much better note than it began, we believe challenging market conditions will continue. We remain cautiously optimistic – the difficulties of the past few years have not been fully resolved, however, significant action is being taken on a global basis and growth, along with more normally functioning credit markets are slowly being restored to the economy.

A significant contributor to the reflexive rebound in the global economy has been the massive amount of government intervention and stimulus, which will subside in 2010 and interest rates will start to move up from their current, unnaturally low level. At this point, the fundamentals will start to reassert themselves. We believe the economy will be at best, anaemic through 2010 and credit quality will remain under pressure. On-going risks remain in the banking system with continued loan losses; sovereign credit risks; persistently high unemployment and scant economic growth. Assuming no further macro-economic surprises, we expect some more tangible improvement in 2011 as financial markets and banks are stabilized and a more normal economy prevails. We expect the challenges in the commercial real estate market in 2009 to continue through 2010, although begin to show some degree of improvement.

Our predominant mood is one of caution. We will continue to lend defensively with a narrow focus on capital preservation while generating income and containing and safeguarding against risks. Within the existing portfolio, we are monitoring all loans thoroughly and regularly; proactively managing non-performing loans and maintaining high liquidity. The handful of properties we have taken over are being positioned or developed for long-term value creation according to the highest and best use for the property. We fully expect to experience actual loan losses on certain mortgages going forward which will be charged against our loss provisions. At this point, we do not expect performance during 2010 to be meaningfully different from 2009.

As always, we thank you for your continuing confidence and support. While our 2009 performance was below our expectations, we believe it was reasonable in light of the difficult and unprecedented economy all businesses encountered during the year. The trustees of Romspen are the largest investors in the Fund and, at the end of the day; your interest has always been our interest.

Respectfully submitted,

Sheldon Esbin	Mark Hilson	Arthur Resnick	Wesley Roitman

Trustees of the Fund
April 15, 2010

Management's Discussion & Analysis

Responsibility Of Management

This Management's Discussion and Analysis ("MD&A") for Romspen Mortgage Investment Fund (the "Fund") should be read in conjunction with the financial statements and notes thereto for the fourth quarter ended December 31, 2009 included herein and the audited financial statements and MD&A for the year ended December 31, 2008. Investment in the Fund is subject to certain risks and uncertainties described in the Fund's Offering Memorandum, which should be read in conjunction with this MD&A. These documents are available on our website at: www.romspen.com.

Management is responsible for the information disclosed in this MD&A. The Fund has in place appropriate procedures, systems and controls to ensure such information is materially complete and reliable. In addition, the Fund's trustees have reviewed and approved the MD&A and the financial statements for the years ended December 31, 2009 and December 31, 2008.

This MD&A contains certain forward-looking statements and non-GAAP financial measures, see "Forward-Looking Statements" and "Non-GAAP Financial Measures".

Forward-Looking Statements

From time to time the Fund makes written and verbal forward-looking statements. These are included in its quarterly Management's Discussion and Analysis ("MD&A"), Fund presentations and other Fund communications.

Forward-looking statements include, but are not limited to, business objectives and targets, Fund strategies, operations, anticipated financial results and the outlook for the Fund, its industry, and the Canadian economy. These statements regarding future performance are "financial outlooks" within the meaning of National Instrument 52-102. Forward-looking statements are typically identified by words such as "believe", "expect", "anticipate", "estimate", "plan", "may", and "could" or other similar expressions. By their very nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These risks and uncertainties include, but are not limited to: global capital market activity; changes in government monetary and economic policies; changes in interest rates; inflation levels and general economic conditions; legislative and regulatory developments; competition and technological change. The preceding list is not exhaustive of possible factors. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. The Fund does not undertake to update any forward-looking statements, whether written or verbal, that may be made from time to time by it or on its behalf except as required by securities laws.

Non-GAAP Financial Measures

This MD&A contains certain non-GAAP financial measures. A non-GAAP financial measure is defined as a numerical measure of the Fund's historical or future financial performance, financial position, or cash flows that excludes amounts or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the financial statements or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. Non-GAAP financial measures disclosed herein are meant to provide additional information and insight regarding the historical operating results and financial position of the Fund. These measures are not in accordance with, or a substitute for, GAAP and may be different from or inconsistent with non-GAAP financial measures used by others.

Introduction

The Fund is an unincorporated closed-end investment trust established under the laws of the Province of Ontario pursuant to a trust indenture dated as at May 20, 2005. The Fund is a non-bank lender providing and investing primarily in short-term and medium-term commercial mortgages. The Fund is the sole limited partner in the Romspen Mortgage Limited Partnership (the "Partnership") and conducts its lending activities primarily through the Partnership. The objective of the Fund is to provide stable and secure cash distributions of income while preserving equity.

Romspen Investment Corporation ("Romspen") is the Fund Manager and acts as the primary loan originator, underwriter, administrator and syndicator for the Partnership. Romspen also acts as administrator of the Fund's affairs. Romspen and its principals, through predecessor companies, have been in the business of mortgage origination, servicing and syndication since 1966.

The Fund commenced operations on January 16, 2006, and during the first quarter of 2006, raised $158.9 million pursuant to the Exchange Offering, whereby Romspen's investors exchanged their syndicated mortgage interests for units of the Fund, and $15.3 million pursuant to the Unit Offering described in its Offering Memorandum dated September 15, 2005.

On June 22, 2007, new federal legislation came into force that altered the taxation regime for specified investment flow-through trusts or partnerships ("SIFT") (the "SIFT Rules"). Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general corporate tax rate. Distributions paid by a SIFT as returns of capital will not be subject to the tax. As its units are not listed on a stock exchange or other public market, the Fund is not subject to the SIFT tax regime.

The Offering Memorandum, financial statements and additional information on the Fund are available and updated regularly on the Fund's website at: www.romspen.com. Unitholders who would like further information may also contact the Investor Relations department of the Fund at: 416-966-1100.

Mortgage Portfolio

On December 31, 2009, the Fund's mortgage portfolio (the "Portfolio"), net of the loan loss provision, was $476.0 million compared with $493.6 million at December 31, 2008. This represents a decrease of 4% or $17.6 million. The portfolio decreased marginally in size to 107 mortgages compared to 116 at the same time last year.

Approximately 95% of the Portfolio was invested in first mortgages at December 31, 2009 compared to 96% a year ago.

The weighted average interest rate of the Portfolio increased to 12.2% at the end of the fourth quarter versus 11.9% as December 31, 2008. Though the Fund Manager continued to focus on safety, renewals of existing mortgages have been executed with higher interest rates available because of tightening credit market conditions that left few alternatives for borrowers.

The Portfolio continues to be concentrated in short-term mortgages. Approximately 91% of the portfolio's mortgage investments mature within one year (December 31, 2008 - 75%) and 100% mature within two years (September 31, 2008 - 98%). In addition, all of our mortgages are open for repayment prior to maturity. The short-term nature of the Fund's portfolio provides us with the opportunity to continually evolve the portfolio in response to changes in the real estate and credit markets. The Fund Manager believes this flexibility is far more important in our market niche than securing long-term fixed interest rates.

As of December 31, 2009, approximately 45% of our mortgage investments were in Ontario compared to 44% one year ago. As of December 31, 2009, approximately 47% of the Portfolio was invested in Western Canada, and 8% in other provinces. The Fund Manager believes this level of diversification adds stability to the Fund's performance by reducing dependency on the economic activity and cycles in any given geographic region.

Total fair value provisions as of December 31, 2009 were $9.8 million, which represented 2% of the original cost of the Fund's mortgage investments or $0.20 per unit outstanding as at December 31, 2009. During all four quarters of 2009, the Fund made specific fair value provisions totalling $2.5 million and $0.5 million of losses were realized on the Portfolio. The Fund Manager believes this provision is prudent and conservative. The fair value provision is based on assumptions relating to the Fund's mortgage investments and only the passage of time will determine the actual performance of the mortgages. The fair value provision will continue to be reviewed by the Fund Manager and the Fund's trustees and, if appropriate, will be adjusted.

Income Statement Highlights

Total revenues for the year ended December 31, 2009 were $48.5 million compared to $49.9 million in the previous year. This 3% decrease reflects the reduction in the mortgage portfolio and in the use of the revolving loan partially offset by the increase in the weighted average interest rate on the portfolio.

Net earnings for the year ended December 31, 2009 was little changed at $36.7 million compared to $37.0 million in the prior year. Basic weighted average earnings for the year ended December 31, 2009 of $0.80 per unit was lower than the comparable 2008 amount of $0.93 per unit because of the increase in non-accruing loans and the reduced use of financial leverage.

For the year ended December 31, 2009, the Fund distributed $38.4 million or $0.84 per unit versus $37.6 million or $0.95 per unit for the period ended December 31, 2008. Distributions to unitholders are based on taxable income which was higher than net earnings during 2009. This difference reflects tax rules for the treatment of reserves and unaccrued interest which differ from GAAP. The higher distribution resulted in a modest decrease in net asset value to $9.94 per unit for December 31, 2009. The simple and compounded net yield to unitholders for the twelve-month period ended December 31, 2009 was 8.4%[1] and 8.7%[1] respectively.

Provisions for losses on mortgage value were $2.5 million in 2009 compared to $2.4 million in 2008 while realized losses were $0.5 million in 2009 compared to $1.3 million in the prior year. Management fees payable to the Fund Manager and other general and administrative expenses of the Fund were $5.4 million for the year ended December 31, 2009 compared to $5.1 million in the prior year.

Total revenues for the quarter ended December 31, 2009 were $11.5 million compared with $13.1 million for the quarter ended December 31, 2008. This decrease is attributable to a smaller mortgage portfolio as well as an increase in non-accruing loans.

Net earnings after all expenses for the fourth quarter were $9.0 million compared to $9.2 million for the quarter ended December 31, 2008. Basic weighted average earnings per unit for the three months ended December 31, 2009 of $0.19 was lower than the comparable 2008 amount of $0.21 per unit.

For the three month period ended December 31, 2009, the Fund distributed $10.1 million or $0.21 per unit, versus $9.7 million, or $0.22 per unit for the three months ended December 31, 2008. Detailed financial information by quarter for 2009 is outlined in the chart below:

Quarterly Financial Information 2009
($ in millions, except per unit amounts)

	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Total revenue	$ 11.5	$ 11.7	$ 12.2	$ 13.1
Interest expense and deferred financing costs	0.5	1.0	0.9	1.0
Net interest income	11.0	10.7	11.3	12.1
Management fees and other expenses	1.4	1.2	1.4	1.4
Fair value provision on mortgage portfolio and losses	0.6	0.3	0.8	1.3
Net earnings	9.0	9.2	9.1	9.4
Per unit - net earnings	$ 0.19	$ 0.20	$ 0.20	$ 0.21
- distributions	0.21	0.21	0.21	0.21
Trailing 12 month compounded return	8.7%	8.8%	9.2%	9.5%
Revolving loan net of cash as a percentage of net mortgages[2]	2%	8%	10%	14%

[1, 2] These are non-GAAP financial measures (see "Non-GAAP Financial Measures").

Balance Sheet Highlights

Total assets as of December 31, 2009 were $498.2 million compared to $526.2 million a year ago. Total assets are comprised primarily of mortgages recorded at fair market value, accrued interest receivable on those mortgages and income producing properties. In addition, the Fund had excess cash at quarter end of $0.3 million.

Total liabilities, excluding units submitted for redemption, as of December 31, 2009 were $15.1 million compared with $82.2 million a year earlier. Liabilities at the end of the fourth quarter were comprised of $10.0 million in outstanding indebtedness under the Fund's revolving loan facility and $4.0 million in accounts payable and distributions payable to unitholders. Drawings under the revolving loan facility together with net cash proceeds of the Unit Offering are used to increase the Fund's mortgage portfolio. Net debt (debt less cash) stood at $9.7 million (2% of mortgage portfolio) at year end versus $59.5 million (12% of mortgage portfolio) last year. The revolving loan facility bears interest at the greater of 8% and TD Bank prime plus 5% and is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund.

Unitholders' equity, including units submitted for redemption, as of December 31, 2009 was $483.1 million compared with $444.1 million as of December 31, 2008. The increase is primarily from proceeds of issuances of $74.4 million in excess of redemptions of $33.7 million throughout the year. These amounts represented approximately $10.00 per unit outstanding at the end of each reporting period. There was a total of 48,581,891 units outstanding on December 31, 2009 compared to 44,519,786 on December 31, 2008. There are no options or other commitments to issue additional units.

Liquidity & Capital Resources

Pursuant to the Fund's trust indenture, 100% of the Fund's net earnings must be distributed annually to unitholders. This means that growth in the mortgage portfolio can only be achieved through the raising of additional unitholder equity and utilizing available borrowing capacity. Pursuant to the Fund's investment policies, the Fund may borrow up to 35% of the book value of mortgages held by the Fund. The Fund was not fully leveraged as of December 31, 2009 with borrowings net of cash totalling approximately 2% [3] of the book value of mortgages held by the Fund compared to 12%[3] as of December 31, 2008.

During the year ended December 31, 2009 proceeds from the issuance of units, net of redemptions and costs, were $40.7 million compared to $113.2 million during the same period in 2008. The large reduction in proceeds from new unit issuance reflects the impact of the global financial crisis.

The Fund's mortgages are predominantly short-term in nature with the result that continual repayment by borrowers of existing mortgage investments creates liquidity for new mortgage investments. We believe that the Fund's combined borrowing capacity and expected short-term mortgage repayments are not sufficient to finance expected future growth in the mortgage portfolio. Consequently, we expect to raise additional equity in future periods and syndicate a portion of new loans to third parties.

Related Party Transactions

Romspen acts as mortgage manager for the Partnership and administrator for the Fund. The trustees of the Fund are all principals of Romspen. In consideration for its services, Romspen receives a fee equal to 1% per annum, calculated daily and paid monthly, of the total of all mortgage investments plus the fair value of any non-mortgage investments. Romspen also receives all lender, broker, origination, commitment, renewal, extension, discharge, participation, and other administrative fees charged to borrowers. In addition, the Partnership has granted to Romspen the option to purchase any mortgage investment held by the Partnership for a purchase price equal to the principal amount of such mortgage plus any accrued interest.

From time to time the Partnership may invest in mortgage loans made to borrowers who are related to Romspen or the trustees of the Fund. The Partnership may also invest in mortgages which are syndicated among Romspen, the Fund's trustees, or related parties. The Partnership's interests in such syndications rank either pari passu with, or in priority to, the related party investors.

These related party transactions are further discussed in the notes to the accompanying audited consolidated financial statements.

[3] These are non-GAAP financial measures (see "Non-GAAP Financial Measures").

Risk Management

The Fund is exposed to various financial instrument risks in the normal course of business. The Fund Manager and trustees have put in place various procedures and safeguards to mitigate these risks in order to ensure the preservation of capital as well as the achievement of acceptable and consistent rates of return. For details on financial instrument risks and management's response to these risks, see note 13 of the Financial Statements.

Outlook

The Fund's investment objective is to return a stable and secure cash yield to unitholders while preserving capital through prudent loan underwriting and management. The Fund Manager is confident this can be accomplished by holding to its historical prudent and comprehensive approach to mortgage lending.

The 2009 year proved to be a difficult period as the global economic downturn negatively affected credit, liquidity and real estate values across the country. While we believe the worst effects of the financial crisis are behind us, the ongoing effects of the economic downturn need to play themselves out. In this context, we expect gradually improving, although inconsistent, markets and economic performance for the next 12 months.

Some of the mortgages in our portfolio are not performing to their terms and we are taking appropriate steps to address these non-compliant loans. Collection of interest proved to be very challenging in 2009 and as a result, the Fund took over two properties from defaulting creditors and may take over further properties in 2010. Rather than sell these properties at a loss during a cyclical low in the real estate market, the Fund will continue to develop them for their highest and best use and may ultimately realize gains in the future. While we believe our current loss reserves are adequate to deal with non-performing loans, we will continue to add to these reserves throughout 2010 to be prudent in otherwise uncertain times. In addition, we have stopped accruing interest on certain loans that are not performing to their terms, thereby providing an additional margin of safety.

The year 2010 will continue to be a challenging year for most businesses and markets in Canada, including commercial real estate. At present, our expectation is that the Fund's 2010 performance will not be materially different from 2009.

Consolidated Financial Statements

Romspen Mortgage Investment Fund

Year ended December 31, 2009

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AUDITORS' REPORT

To the Unitholders of Romspen Mortgage Investment Fund

We have audited the consolidated balance sheet of Romspen Mortgage Investment Fund as at December 31, 2009 and the consolidated statements of earnings, unitholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 19, 2010

Romspen Mortgage Investment Fund

Consolidated Balance Sheet
(In thousands of dollars, except per unit amounts, unless otherwise noted)

December 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Cash	$ 300	$ 19,410
Accrued interest receivable	21,961	13,240
Mortgage investments (note 4)	475,955	493,562
Sundry assets	1	21
	$ 498,217	$ 526,233
Liabilities and Unitholders' Equity		
Liabilities:		
Revolving loan facility (note 5)	$ 9,958	$ 78,896
Accounts payable and accrued liabilities	572	171
Deferred revenue	921	–
Prepaid unit capital	230	–
Unitholders' distributions payable	3,401	3,116
	15,082	82,183
Units submitted for redemption (note 6)	2,185	38,927
Unitholders' equity (note 6)	480,950	405,123
Commitments and contingent liabilities (note 11)		
	$ 498,217	$ 526,233
Net asset value per unit (note 7)	$ 9.94	$ 9.97

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

"Sheldon Esbin" Trustee

"Mark Hilson" Trustee

Romspen Mortgage Investment Fund

Consolidated Statement of Earnings
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Mortgage interest	$ 48,345	$ 49,217
Other	192	715
	48,537	49,932
Expenses:		
Management fees (note 10(a))	4,964	4,742
Interest	3,403	4,105
Unrealized loss in value of mortgage investments	2,500	2,388
Realized loss on mortgage investments	513	1,322
Audit fees	92	92
Legal fees	94	92
Other	246	209
	11,812	12,950
Net earnings	$ 36,725	$ 36,982
Net earnings per unit (note 7)	$ 0.802	$ 0.931
Weighted average number of units issued and outstanding (note 7)	45,801,234	39,731,251

See accompanying notes to consolidated financial statements.

Romspen Mortgage Investment Fund

Consolidated Statement of Unitholders' Equity
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Unit capital:		
Balance, beginning of year	$ 406,154	$ 331,840
Proceeds from issuance of units, net of redemptions (note 6)	40,711	113,241
Penalties on redemptions	37	–
Reduction (increase) units submitted for redemption (note 6)	36,742	(38,927)
Balance, end of year	$ 483,644	$ 406,154
Cumulative earnings:		
Balance, beginning of year	$ 84,776	$ 47,794
Net earnings	36,725	36,982
Balance, end of year	$ 121,501	$ 84,776
Cumulative distributions to unitholders:		
Balance, beginning of year	$ (85,807)	$ (48,240)
Distributions to unitholders (note 8)	(38,388)	(37,567)
Balance, end of year	$ (124,195)	$ (85,807)
Unitholders' equity	$ 480,950	$ 405,123
Units issued and outstanding, excluding units submitted for redemption (note 7)	48,362,142	40,615,348

See accompanying notes to consolidated financial statements.

Romspen Mortgage Investment Fund

Consolidated Statement of Cash Flows
(In thousands of dollars, except per unit amounts, unless otherwise noted)

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Net earnings	$ 36,725	$ 36,982
Items not affecting cash:		
Amortization of revolving loan facility financing costs	162	262
Unrealized loss in value of mortgage investments	2,500	2,388
Realized loss on mortgage investments	513	1,322
Change in non-cash operating items:		
Accrued interest receivable and deferred financing costs	(8,821)	(5,796)
Sundry assets	20	(21)
Accounts payable and accrued liabilities	401	(250)
Deferred revenue	921	–
	32,421	34,887
Financing:		
Proceeds from issuance of units, net redemptions	40,711	113,241
Penalties on redemptions	37	–
Prepaid unit capital	230	–
Change in revolving loan facility	(69,000)	(4,000)
Repayment of promissory note payable	–	(15,000)
Distributions to unitholders	(38,103)	(37,488)
	(66,125)	56,753
Investments:		
Funding of mortgages	(127,493)	(253,764)
Discharge of mortgages	142,087	179,390
	14,594	(74,374)
Increase (decrease) in cash	(19,110)	17,266
Cash, beginning of year	19,410	2,144
Cash, end of year	$ 300	$ 19,410
Supplemental cash flow information:		
Interest paid	$ 3,241	$ 3,846

See accompanying notes to consolidated financial statements.

Romspen Mortgage Investment Fund (the "Fund") is an unincorporated closed-end investment trust established under the laws of the Province of Ontario pursuant to a trust indenture dated as at May 20, 2005. The Fund is the sole limited partner in the Romspen Mortgage Limited Partnership (the "Partnership") and conducts its lending activities primarily through the Partnership. The objective of the Fund is to provide stable and secure cash distributions of income while preserving unitholders' equity.

Romspen Investment Corporation ("Romspen") is the Fund's mortgage manager and acts as the primary loan originator, underwriter, administrator and syndicator for the Partnership. Romspen also acts as administrator for the Fund's affairs.

The Fund commenced operations on January 16, 2006. Under an exchange offering completed in January 2006, mortgages in the aggregate principal amount of $158,855 were exchanged for 15,885,461 units of the Fund.

1. Basis of presentation:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements include the accounts of the Fund and the Partnership.

2. Significant accounting policies:

(a) Mortgage investments:

Mortgage investments are stated at their fair values. Certain of the Fund's mortgages are in arrears and realization by the Fund may result in a shortfall. In determining fair value of individual mortgages, management considers the length of time the mortgage has been in arrears, the overall financial strength of the borrowers and the residual value of the security pledged.

2. Significant accounting policies (continued):

(b) Revenue recognition:

Interest income is accounted for on the accrual basis.

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. The most significant estimates that the Fund is required to make relate to the fair value of the mortgage investments in (a) above. The estimates may include: assumptions regarding local real estate market conditions; interest rates and the availability of credit; cost and terms of financing; the impact of present or future legislation or regulation; prior encumbrances and other factors affecting the mortgage and underlying security of the mortgage investments.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty, ongoing geopolitical concerns and the uncertainty of predictions concerning future events. Illiquid credit markets, volatile equity markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. Accordingly, by their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could change by a material amount.

(d) Net earnings per unit:

Net earnings per unit are computed by dividing net earnings for the year by the weighted average number of units outstanding during the year.

2. Significant accounting policies (continued):

(e) Financial instruments - recognition and measurement:

The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, Financial Instruments - Recognition and Measurement, establishes standards for recognizing and measuring financial assets and financial liabilities, including non-financial derivatives. In accordance with this new standard, the Fund has classified its financial assets as one of the following: held-to-maturity; loans and receivables; held-for-trading or available-for-sale. All financial liabilities must be classified as: held-for-trading or other liabilities. The Fund's designations are as follows:

(i) Cash and accrued interest receivable is classified as loans and receivables and is measured at amortized cost.

(ii) The revolving loan facility, accounts payable and accrued liabilities, prepaid unit capital and unitholders' distribution payable are classified as other liabilities and are measured at amortized cost using the effective interest rate method.

3. Accounting changes:

The Canadian Accounting Standards Board ("AcSB") confirmed that the adoption of International Financial Reporting Standards ("IFRS") would be effective for the interim and annual periods beginning on or after January 1, 2011 for Canadian publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for these enterprises. Comparative IFRS information for the previous fiscal year will also have to be reported. These new standards will be effective for the Fund in the first quarter of 2011.

The Fund has identified all potential IFRS and Canadian GAAP differences as well as the related IFRS policy choices and has confirmed that there will not be a significant impact on the balance sheet or statement of earnings and there are no significant systems implications. At this time the Fund is considering possible IFRS policy choices for each potential IFRS and Canadian GAAP difference identified. The Fund has established a conversion plan to identify and address implementation issues and to ensure an orderly transition in 2011. Consequently, four phases have been identified; (i) scoping, (ii) planning, (iii) design and build, and (iv) implement and review.

(In thousands of dollars, except per unit amounts, unless otherwise noted)

3. Accounting changes (continued):

During the first half of 2010, the Fund will be completing the scoping and planning phases of the plan and expects to complete the design and build phase by September 30, 2010, and the implement and review phase by December 31, 2010.

Effective January 1, 2009, the Fund adopted Emerging Issues Committee issued Abstract No. 173, Credit Risk and Fair Value of Financial Assets and Liabilities ("EIC-173"). EIC-173 establishes that an entity's own credit risk and that of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 had no impact on the financial statements.

Effective January 1, 2008, the Fund adopted CICA Handbook Section 1535, Capital Disclosures, Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation. The required note disclosure is set out in note 13 to these financial statements. There has been no financial impact to the financial statements due to the adoption of these Sections.

4. Mortgage investments:

The following is a summary of the mortgages:

			2009	2008
	Number of mortgages making up balance	Original cost	Fair value	Fair value
First mortgages	99	$ 461,832	$ 453,213	$ 474,088
Second mortgages	8	23,885	22,742	19,474
	107	$ 485,717	$ 475,955	$ 493,562

(In thousands of dollars, except per unit amounts, unless otherwise noted)

4. Mortgage investments (continued):

The following is a summary of the original cost of mortgages segmented by interest rate at December 31, 2009:

Interest rates	2009	2008
Less than 10.00%	$ 25,403	$ 33,799
10.01% - 11.00%	128,064	133,525
11.01% - 12.00%	149,186	268,493
12.01% - 20.00%	180,639	62,583
Over 20.00%	2,425	2,425
	$ 485,717	$ 500,825

In June 2009, the AcSB amended Section 3862, by providing enhanced disclosure requirements for fair value measurements of financial instruments and liquidity risks. Section 3862 establishes a three-level valuation hierarchy for disclosure of financial instruments measured at fair value based upon the degree to which the inputs used to value an asset or liability as of the measurement date are observable:

- Level 1 - quoted (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The Fund's mortgage investments are measured at fair value using unobservable inputs. As a result, all mortgage investments have been classified in Level 3 of the valuation hierarchy.

(In thousands of dollars, except per unit amounts, unless otherwise noted)

4. Mortgage investments (continued):

A reconciliation of Level 3 assets for the year ended December 31, 2009 is as follows:

	2009	2008
Mortgage investment balance, beginning of year	$ 493,562	$ 422,898
Funding of mortgage investments	123,780	253,764
Discharge of mortgage investments	(138,374)	(179,390)
Fair value adjustment unrealized loss included in earnings	(2,500)	(2,388)
Realized loss on mortgage investments	(513)	(1,322)
Mortgage investment balance, end of year	$ 475,955	$ 493,562

The mortgages are secured by real property and other security, bear interest at a weighted average rate of 12.23% at December 31, 2009 (2008 - 11.87%) and mature between 2010 and 2011.

Credit risk arises from the possibility that mortgagors may be unable to fulfill their obligations. In accordance with the Fund's policies, the Fund mitigates this risk by ensuring that its mix of mortgages is diversified and by limited exposure to any one mortgagor or property.

Where appropriate, management makes specific provisions for loan losses.

Principal repayments based on contractual maturity dates are as follows:

2010	$ 441,149
2011	44,568
	$ 485,717

Borrowers have the option to repay principal at any time prior to the maturity date.

In 2008, the Partnership subscribed for all of the outstanding shares of Splash Canyon Inc. ("SCI"), a newly incorporated company. Subsequently, SCI acquired a recreational trailer and water park facility, located near Barrie, Ontario. SCI has continued to develop the property with the investment of additional funds of $3,190, which has been advanced from the Fund. At December 31, 2009, a mortgage to SCI for $6,990 is included in the mortgage investments.

(In thousands of dollars, except per unit amounts, unless otherwise noted)

4. Mortgage investments (continued):

In 2009, the Partnership also subscribed for a portion of the shares of 1460518 Alberta Ltd. ("Albertaco"), a newly incorporated company. Subsequently, Albertaco acquired the 51st Avenue Business Centre in Edmonton, Alberta, which is forecasted to have construction completed in 2010. Albertaco has continued to develop the property with the investment of additional funds of $1,800, which has been advanced from the Fund. As at December 31, 2009, a mortgage to Albertaco for $8,971 is included in the mortgage investments.

In 2009, the Partnership subscribed for the shares of 1411846 Alberta Ltd. ("Calgaryco"), a newly incorporated company. Subsequently, Calgaryco acquired beneficial ownership of land situated at 919 5th Avenue SW in Calgary, Alberta which is zoned for residential condominium development and is currently operating as a parking lot. As at December 31, 2009, a mortgage to Calgaryco for $3,500 is included in the mortgage investments.

5. Revolving loan facility:

The Partnership has entered into a revolving loan facility on June 1, 2009 in the maximum amount of $70,000 (2008 - $100,000), of which approximately $60,000 (2008 - $21,000) is available and $10,000 has been drawn as at December 31, 2009 (2008 - $79,000). Interest on the loan is charged at the greater of 8% and the TD Canada Trust Bank prime rate plus 5%. The minimum and maximum amounts drawn under the revolving loan facility during the year ended December 31, 2009 were nil and $79,000 (2008 - $20,000 and $102,000), respectively. The loan is secured by all assets of the Partnership and a pledge of all Partnership units held by the Fund. The loan matures on June 1, 2010.

	2009	2008
Carrying value of revolving loan facility	$ 10,000	$ 79,000
Revolving loan facility financing costs, net of accumulated amortization of $58 (2008 - $146)	(42)	(104)
	$ 9,958	$ 78,896

The costs associated with the establishment of the revolving loan facility are amortized over the one-year initial term of the facility.

6. Unitholders' equity:

The beneficial interests in the Fund are represented by a single class of units, which are unlimited in number. Each unit carries a single vote at any meeting of unitholders and carries the right to participate pro rata in any distributions. Unitholders have a limited right to redeem their units, on a monthly basis, upon a minimum of 30-day notice. Partial or complete redemption of units is limited on a monthly basis to 1% of the aggregate fair market value of units outstanding on the valuation date immediately preceding the said redemption date. Redemption notices on any given redemption date shall maintain their order of priority until the unit redemption price for such units has been paid in full. Additionally, the Trustees shall be entitled in their sole discretion to extend the time for payment of any unit redemption prices if, in the reasonable opinion of the Trustees, such payment would be materially prejudicial to the interests of the remaining unitholders in the Fund.

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

(a) Discounted Redemptions:

The Trustees shall give notice to Tendering Unitholders that their Tendered Units shall be redeemed on the next Redemption Date at a redemption price discounted by a discount factor to be determined by the Trustees in their sole discretion, acting reasonably. In determining the discount factor, the Trustees may consider such factors as market prices for similar investments that are traded on a stock exchange in Canada, the variation inherent in any estimates used in the calculation of the fair market value of the Units to be redeemed, the liquidity reasonably available to the Fund and general economic conditions in Canada. Unitholders may choose to retract their redemption request upon receiving notice from the Trustees of a discounted redemption, however, Unitholders who retract will be prohibited from redeeming the Tendered Units to which their retraction applies for a period of up to 12 months following the date the discounted redemptions are processed.

(In thousands of dollars, except per unit amounts, unless otherwise noted)

6. Unitholders' equity (continued):

(b) Temporary Suspension of Redemptions:

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

On May 22, 2009, Tendered Units represented in excess of 3% of the total number of Units outstanding. In accordance with the Declaration of Trust, the Trustees exercised their discretion to issue a discount redemption notice to Tendering Unitholders citing a discount factor of 25%.

As at December 31, 2009, unitholders representing approximately 219,748 (2008 - 3,904,438) units have requested redemption of their units, the redemption of which is subject to the above restrictions. These units have been reclassed to liabilities from unitholders' equity in order to comply with applicable accounting rules. These units, however, continue to have the same rights and no priority over the remaining units. Units submitted for redemption are redeemed at the net asset value.

(a) The following units are issued and outstanding:

	2009		2008	
	Units	Amount	Units	Amount
Balance, beginning of year	44,519,786	$ 445,081	33,195,610	$ 331,840
New units issued	6,292,913	62,929	12,244,375	122,444
New units issued under distribution reinvestment plan	1,146,469	11,465	1,198,125	11,981
Units redeemed	(3,377,277)	(33,683)	(2,118,324)	(21,184)
Proceeds from issuance of units, net of redemptions	4,062,105	40,711	11,324,176	113,241
Balance, end of year	48,581,891	$ 485,792	44,519,786	$ 445,081

6. Unitholders' equity (continued):

During the normal course of business, the Fund receives unit issuance and redemption requests from the investors. In 2009, the Fund received requests for redemption of 3,659,957 units (2008 - 6,022,762) and redeemed 3,377,277 units (2008 - 2,118,324) for $33,683 (2008 - $21,184) in accordance with its policies.

The Fund continues to issue new units and receive redemption requests which will be processed in accordance with the above-mentioned policies.

(b) Distribution reinvestment plan and direct unit purchase plan:

The Fund has a distribution reinvestment plan and direct unit purchase plan for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at a unit price equivalent to $10.00 per unit.

7. Net asset value per unit and net earnings per unit:

Net asset value per unit is calculated as total assets less total liabilities allocable to outstanding units, excluding units submitted for redemption, of 48,362,142 as at December 31, 2009 (2008 - 40,615,348).

Net earnings per unit has been computed using the weighted average number of units issued and outstanding of 45,801,234 for the year ended December 31, 2009 (2008 - 39,731,251).

8. Distributions:

The Fund makes distributions to the unitholders monthly on or about the 15th day of each month. The Fund's trust indenture requires that the Fund will distribute 100% of the net earnings of the Fund, determined in accordance with the Income Tax Act (Canada), to the unitholders.

For the year ended December 31, 2009, the Fund declared distributions of $0.84 (2008 - $0.95) per unit and a total of $38,388 (2008 - $37,567) was distributed to the unitholders.

9. Income taxes:

The Fund is taxed as a mutual fund trust for income tax purposes. Pursuant to the trust indenture, the Fund is required to distribute 100% of its income for income tax purposes each period to such an extent that it will not be liable for income tax under the Income Tax Act (Canada). Therefore, no provision for income taxes is required on earnings of the Fund.

On June 22, 2007, new legislation relating to the federal income taxation of a specified investment flow-through trust or partnership ("SIFT") received royal assent (the "SIFT Rules").

Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income and a SIFT will be subject to income taxes on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to income taxes.

The Fund is not subject to the SIFT tax regime as its units are not listed or traded on a stock exchange or other public market. Accordingly, the Fund has not recorded a provision for income taxes or future income tax assets or liabilities in respect of the SIFT Rules.

10. Related party transactions and balances:

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties and which represents fair market value.

Other than the transactions disclosed elsewhere in these financial statements, the Fund had the following significant related party transactions:

(a) All the trustees of the Fund are owners of Romspen. Under various agreements, Romspen manages all the day-to-day affairs of the Fund and the Partnership. Romspen receives fees totalling 1% per annum, calculated daily and payable monthly, of the principal balance of all mortgage investments and the fair market value of all other non-mortgage investments. For the year ended December 31, 2009, the amount was $4,964 (2008 - $4,742).

10. Related party transactions and balances (continued):

(b) Romspen and related entities also receive certain fees directly from the borrower generated from Fund mortgage investments as follows: all lender, broker, origination, commitment, renewal, extension, discharge, participation, insufficient funds and administration fees generated on the mortgages. For the year ended December 31, 2009, this amount was $4,521 (2008 - $7,036).

(c) Several of the Fund's mortgages are syndicated with other investors of Romspen, which may include Romspen, members of management of Romspen, and officers or trustees of the Fund. The Fund ranks equally with, or in priority to, other members of the syndicate as to receipt of principal and income.

(d) For the year ended December 31, 2009, the Fund had four (2008 - four) mortgages outstanding with an original cost of $24,377 (2008 - $22,527), including accrued interest of $1,806 (2008 - $1,393) and fair value of $24,377 (2008 - $21,831) due from mortgagors in which members of management of Romspen own non-controlling equity interests.

11. Commitments and contingent liabilities:

(a) In the event that management agreements are terminated, the various management agreements between the Fund, the Partnership and Romspen contain provisions for the payment of termination fees of an amount equal to 2% of the fair market value of the Partnership's assets under administration on the date on which the termination notice is received, in addition to any other amounts owing by the Partnership. These amounts will be satisfied by the payment of cash, interests in mortgages or in such combination thereof as determined by the mortgage manager. These agreements continue in force until terminated in accordance with their provisions.

(b) The Partnership has granted an irrevocable option to Romspen to purchase, at any time, any or all Partnership mortgages at a purchase price equal to the principal amount of such mortgage plus accrued interest.

12. Fair values of financial instruments:

The fair values of cash, accrued interest receivable, revolving loan facility, accounts payable and accrued liabilities, unitholders' distributions payable and prepaid unit capital approximate their carrying values due to their short-term maturities.

13. Financial instrument risk management:

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund achieves this mitigating strategy by investing primarily in short-term mortgages. The Fund's investment objective is to obtain an acceptable and consistent absolute rate of return that is not related to any market-based interest rate benchmark.

As a result, the credit characteristics of the Fund's mortgages will evolve such that in periods of higher market interest rates, the Fund's mortgages will be those with narrower credit spreads, and vice versa in periods of lower market interest rates compared to other benchmark interest rates.

The majority of the Fund's investments are in fixed rate, short-term mortgages. The Fund generally holds all of its mortgages to maturity. There is no secondary market for the Fund's mortgages and in syndication transactions, these mortgages are generally traded at face value without regard to changes in market interest rates.

The Fund's debt under the revolving loan facility (note 5) bears interest based on the greater of 8% and the prime rate plus 5%.

As at December 31, 2009, if interest rates on the revolving loan facility had been 100 basis points lower or higher, with all other variables held constant, net income for the year would be affected with a total increase or decrease of $996. The Fund monitors the financial markets and can adjust the pricing of renewals and new loans when it deems it appropriate.

13. Financial instrument risk management (continued):

(b) Credit risk:

Credit risk is the risk of loss due to borrowers under the Fund's mortgages failing to discharge their obligations. The Fund's sole activity is investing in mortgages (note 4) and, therefore, generally all of its assets are exposed to credit risk. Any instability in the real estate sector and adverse change in economic conditions in Canada could result in declines in the value of real property securing the Fund's mortgage investments. The Fund manages credit risk by adhering to the investment and operating policies, as set out in its Offering Memorandum. This includes the following policies:

(i) no more than 20% of the Fund's capital may be invested in subordinate mortgages; and

(ii) no more than 10% of the Fund's capital may be invested in any single mortgage or to any single borrower.

The Fund focuses its investments in the commercial mortgage market segments described in its Offering Memorandum, which includes Development Mortgages, Construction Mortgages, Term Financing Mortgages and Residential Mortgages. These mortgages generally have the following characteristics:

(i) initial terms of 12 to 24 months;

(ii) loan to value ratios of less than 65% at time of underwriting;

(iii) significant at-risk capital and/or additional collateral of property owner; and

(iv) full recourse to property owners supported by personal guarantees.

In addition, the Fund's trustees meet regularly to review and approve each mortgage investment and to review the overall portfolio to ensure it is adequately diversified.

As at December 31, 2009, the Fund has $3,964 of accrued interest past due on $201,791 of mortgages which the Fund does not consider impaired. The Fund has reviewed these loans and does not require fair value adjustments given the value of underlying collateral.

13. Financial instrument risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Fund will not have sufficient cash to meet its obligations as they become due. The Fund mitigates this risk by monitoring its scheduled mortgage repayments and ensuring that sufficient funds are available in the near term to satisfy all of its obligations. The Fund's obligations are primarily those which arise under the revolving loan facility, the Mortgage Management Agreement and its Declaration of Trust. In the current economic climate and capital markets, the lenders may continue to tighten their lending standards which could make it challenging for the Fund to obtain financing on favourable terms, or to obtain financing at all.

The Fund's revolving loan facility (note 5) matured on May 31, 2009 and was renewed. The new facility matures June 1, 2010. If it is not extended at maturity, repayments under the Fund's mortgage portfolio would be utilized to repay the revolving loan facility. The Fund's mortgages are predominantly short-term in nature, and as such, the continual repayment by borrowers of existing mortgage investments creates liquidity for ongoing mortgage investments and funding commitments.

If the Fund is unable to continue to have access to its revolving loan facility, the size of the Fund's mortgage portfolio will decrease and the income historically generated through holding a larger portfolio by utilizing leverage will not be earned.

As at December 31, 2009, the Fund had not utilized its full leverage availability, being a maximum of 35% of its qualified mortgage investments.

The Fund is not obliged to invest in any mortgages originated by the Fund manager and, therefore, the Fund has no future funding obligations in respect of the Fund manager's mortgage commitments. The Fund is obliged to pay management fees to the Fund manager which are funded out of interest income.

Unitholders in the Fund have the limited right to redeem their units in the Fund, as described in its Offering Memorandum and paragraph 5.25 of the Fund's Declaration of Trust. The trustees are entitled, in their sole discretion, to extend the time for payment of any unitholder redemption if, in their reasonable opinion, such payment would be materially prejudicial to the interests of the remaining unitholders.

13. Financial instrument risk management (continued):

(d) Market risk:

Market risk is the risk that the fair value of the collateral securing any of the Fund's mortgage investments falls to a level approaching the loan amount. The Fund manager ensures that it is aware of real estate market conditions in the regions in which it operates. Real estate market trends are monitored on an ongoing basis and the Fund manager's lending practices and policies are adjusted when necessary.

(e) Currency risk:

Currency risk is the risk that the fair value or future cash flows of the Fund's mortgages will fluctuate based on changes in foreign currency exchange rates. All of the Fund's mortgages are denominated in Canadian dollars and secured primarily by charges on real estate located in Canada; consequently, the Fund is not subject to currency risk.

(f) Capital risk management:

The Fund manages capital to attain its objective of providing stable and secure cash distributions of income while preserving unitholders' equity. The Fund defines capital as being capital raised by issuing Fund units. It is the Fund's policy to distribute 100% of its taxable income to unitholders, with the result that growth in the mortgage portfolio can only be achieved through the raising of additional equity capital and by utilizing available borrowing capacity.

The Fund raises equity capital on a monthly basis during periods where the Fund manager projects a greater volume of mortgage investment opportunities than the Fund's near-term capital would be sufficient to fund. In the event the Fund may have surplus equity capital, the trustees of the Fund have the right to redeem units held by unitholders or to declare a return of capital distribution.

Pursuant to the Fund's investment policies, the Fund may borrow up to 35% of the book value of its mortgages. The primary purpose of the Fund's borrowing strategy is to ensure that unitholders' capital is fully invested. The secondary purpose is to obtain a spread between the interest rates payable under its mortgage investments and its borrowings. As of December 31, 2009, the Fund's borrowings totalled 2% of the book value of its mortgages and the Fund was in compliance with all covenants under its revolving loan facility.

14. Exemption from filing:

The Fund is relying on the exemption obtained in National Instrument 81-106, Part 2.11 to not file their financial statements in SEDAR.

Trustees & Management

An important element of Romspen's success is the collegiality and entrepreneurial style and culture of the trustees and management group. The management of Romspen is the largest investor in the mortgage Fund and as such our interests are closely aligned to those of our investors.

Romspen Mortgage Investment Fund

Sheldon Esbin
Trustee

Mark Hilson
Trustee

Wesley Roitman
Trustee

Arthur Resnick
Trustee

Romspen Investment Corporation

Sheldon Esbin
Managing General Partner

Mark Hilson
Managing General Partner

Wesley Roitman
Managing General Partner

Arthur Resnick
Managing Partner

Blake Cassidy
Managing Partner

Ronald Lloyd
Managing Partner

Arnie Bose
Vice President, Finance

Bonnie Bowerman
Vice President, Underwriting

Vitor Fonseca
Vice President

Mary Gianfriddo
Vice President, Mortgage Administration

Joel Mickelson
Corporate Counsel

Ann Ralston
Vice President, Investor Relations

Robert Shiller
Vice President, Origination

Romspen Investment Corporation FSCO licence #10172, 11600

Unitholder Information

Units

The Fund units represent a beneficial ownership interest in the Romspen Mortgage Investment Fund. The Fund is an unincorporated closed-end investment trust and is the sole limited partner in the Romspen Mortgage Limited Partnership.

Distributions

Distributions on Fund units are payable on or about the 15th day of each month. The Fund is required to distribute its net earnings each year to the unitholders.

Distribution Reinvestment Plan

The distribution reinvestment plan provides unitholders a means to reinvest cash distributions in new units of the Fund. To participate, registered unitholders should contact Romspen.

Investor Relations Contact

Requests for the Fund's annual report, quarterly reports, or other corporate communications should be directed to:

Investor Relations
Romspen Mortgage Investment Fund
Suite 300, 162 Cumberland Street
Toronto, Ontario M5R 3N5
416-966-1100

Auditors

KPMG LLP
Chartered Accountants

Legal Counsel

Gardiner Roberts LLP

Website

www.romspen.com

Annual General Meeting of Unitholders

Romspen Mortgage Investment Fund's Annual General Meeting of unitholders will be held on Thursday, May 27, 2010 at 10a.m. in the Willard Room (mezzanine level) of the InterContinental Toronto Yorkville Hotel at 220 Bloor Street West, Toronto, Ontario.

Duplicate Communication

Registered holders of Romspen units may receive more than one copy of shareholder mailings. Every effort is made to avoid duplication, but when units are registered under different names and/or addresses, multiple mailings result. Unitholders who receive but do not require more than one mailing for the same ownership are requested to contact Investor Relations and arrangements will be made to combine the accounts for mailing purposes.

ROMSPEN
mortgage investment fund