

No securities regulatory authority has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See "Risk Factors" on page 30.

The securities described in this Offering Memorandum are offered for sale only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as a public offering or advertisement of these securities. The securities offered hereunder will be subject to resale restrictions imposed under the securities laws of the province where they are offered. See "Resale Restrictions" on page 37.

**ASG HALLSTONE DREWRY LIMITED PARTNERSHIP (the "Partnership" or the "Issuer")**

**OFFERING OF LIMITED PARTNERSHIP UNITS  
UP TO A MAXIMUM OF \$12,300,000 (12,300 UNITS)**

\$1,000 per Limited Partnership Unit (each a "Unit")  
Minimum subscription: \$25,000 (25 Units)

**The Issuer**

Address:	162 Cumberland Street, Suite 300 Toronto, Ontario M5R 3N5
Phone number:	(416) 260-3504
E-mail address:	agrossman@asgfinancialcorp.com
Fax number:	(416) 598-0608
Currently listed or quoted?	No. These securities do not trade on any exchange or market.
Reporting issuer?	No
SEDAR filer?	No

**The Offering**

The offering (the "**Offering**") by the Partnership consists of a maximum of 12,300 Units. The Partnership is a limited partnership formed under the laws of the Province of Ontario. The Units are being offered to allow the Partnership to advance a second mortgage loan secured by real property located at 51 Drewry Avenue and 18, 20, 21, 22, 23, 24, 25, 26, 27 and 28 Inez Court, in Toronto, Ontario, (or such replacement property described in this Offering Memorandum) which mortgage loan is to be used for the purposes of acquiring such real property, and paying certain costs in connection with the development of such real property. The second mortgage loan is expected to have certain investment characteristics of equity ownership. This Offering is of Units and not of real estate or subdivided land or mortgage.

Securities offered:	Limited Partnership Units (" <b>Units</b> ")
Price per security:	\$1,000 per Unit (the "Subscription Price") with a minimum subscription of 25 Units
Minimum/Maximum offering:	There is a minimum offering of 5,700 Units and a maximum offering of 12,300 Units
Payment terms:	Payment in full on closing
Proposed closing date(s)	November 15, 2007 for first closing, which may be extended by the General Partner. If the maximum offering is not achieved on the first closing, then the Partnership may have subsequent closings until the maximum offering is achieved.
Selling agent:	The selling agent for the Offering is ASG Financial Corp. (the " <b>Agent</b> "); see "Compensation Paid to Sellers and Finders" on page 30.

**Resale restrictions**

You will be restricted from selling your securities for an indefinite period. See "Resale Restrictions" on page 37. Furthermore, as there is no market for the Units, it may be difficult or even impossible for a subscriber to sell them after purchase. The securities offered hereby should only be considered by those persons who are able to make a long-term investment. Investment in the Units is speculative due to the nature of the Partnership's business. There are no rights for Limited Partners to redeem their Units and only limited rights to request early dissolution of the Partnership. See "Terms of the Partnership Agreement" on page 21.

**Purchaser's rights**

You have two business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See "Purchaser's Rights" on page 37.

The Partnership conditionally offers the Units for sale by way of private placement to qualified investors who are residents of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland, Nova Scotia and Prince Edward Island. Subscriptions will be received if, as and when accepted, subject to prior sale and satisfaction of the conditions set forth under "Plan of Distribution" and to the right of ASG Drewry GP Limited (the "**General Partner**") and the Partnership to close the subscription books at any time without notice. The first closing of the Offering will take place at a time to be determined by the Agent and the General Partner. The first closing is expected to take place no later than November 15, 2007, however the General Partner may, in its discretion extend the first closing. If the maximum offering is not achieved on the first closing, then subsequent closings will be held from time to time as determined by the General Partner until the maximum offering is achieved. See "Plan of Distribution" on page 27.

**Before making an investment decision respecting the securities described in this Offering Memorandum, you should carefully review and consider this entire Offering Memorandum. You should also consult with your lawyer and investment, accounting and tax advisors concerning this investment.** The Partnership will make available to you or your lawyer or your other advisor, during the course of this transaction and prior to sale, the opportunity to ask questions of the Partnership and any person acting on its behalf relating to the terms and conditions of this Offering, and to obtain any additional information necessary to verify the accuracy of the information made available to you or your lawyer or other advisors. **No person is authorized by the Partnership to provide any information or to make any representation other than those contained in this Offering Memorandum in connection with the issue and sale of the securities offered by the Partnership.**

This Offering Memorandum is confidential and has been prepared solely for delivery to and review by selected prospective purchasers of the securities offered hereby. This copy of the Offering Memorandum is personal to the person to whom it is delivered and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the securities offered hereby. Distribution of this Offering Memorandum to any person other than the person to whom it is delivered and those persons, if any, retained to advise such person with respect thereto is unauthorized, and any disclosure of any of its contents without the prior written consent of the General Partner is prohibited. Each prospective purchaser, by accepting delivery of this Offering Memorandum, agrees to the foregoing and undertakes to make no photocopies of or to otherwise reproduce, in whole or in part, this Offering Memorandum, or any documents relating thereto and, if such prospective purchaser does not purchase any of the securities offered hereby or the Offering is terminated, to return promptly this Offering Memorandum and all such documents to the General Partner, if so requested by the General Partner.

**Selling Agent:**

**ASG Financial Corp.  
162 Cumberland Street, Suite 300  
Toronto, Ontario M5R 3N5**

**An affiliate of the Agent owns and controls the General Partner and may be considered to be related to the Partnership for purposes of applicable securities regulations. The Agent may also be considered to be connected to the Partnership for such purposes as directors and an officers of the Agent are also directors and officers of the General Partner. See "Relationship Between Issuer and Agent" on page 30.**

## OFFERING MEMORANDUM SUMMARY

The following is a summary only and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum.

### THE BUSINESS

The Partnership's business will be the lending of a mortgage loan to Hallstone Group Ltd., or a corporation controlled by the principals of Hallstone Group Ltd. (the "Borrower"), secured by real property located at 51 Drewry Avenue, 18 Inez Court, 20 Inez Court, 21 Inez Court, 22 Inez Court, 23 Inez Court, 24 Inez Court, 25 Inez Court, 26 Inez Court, 27 Inez Court and 28 Inez Court, in Toronto, Ontario, (or such replacement real property as described in the Offering Memorandum) for the purposes of acquiring such real property and paying certain costs in connection with the development of such real property. The mortgage loan is expected to have certain characteristics of equity participation. Investors will not have an opportunity to evaluate the project to be developed by the Borrower on the real property acquired by the Borrower with the loan proceeds other than as specifically set out. See "Business of the Partnership" on page 11.

#### Purchase Agreement

1591280 Ontario Inc., a corporation controlled by Hallstone Group Ltd., as purchaser, entered into an agreement of purchase and sale with 1641911 Ontario Limited, an unrelated corporation, as vendor, for the purchase of 11 separate parcels of land municipally known as 51 Drewry Avenue, 18 Inez Court, 20 Inez Court, 21 Inez Court, 22 Inez Court, 23 Inez Court, 24 Inez Court, 25 Inez Court, 26 Inez Court, 27 Inez Court and 28 Inez Court, in Toronto, Ontario, including all buildings and other structures on such property (collectively the "Property").

Subject to adjustment, the purchase price for the Property is \$12,800,000. of which \$5,120,000. is to be paid upon the acquisition, and the vendor will take back an open mortgage in the amount of \$7,680,000. for a term of one year, with interest at the rate of 6% per annum, payable monthly. The acquisition of the Property is scheduled for November 15, 2007.

In addition to adjustments normally made between a vendor and purchaser of property similar to the Property, if the purchaser is unable to receive approval to erect 128 stacked townhouses with a gross floor area of 130,000 square feet, then the purchase price is to be reduced by \$100.00 per square foot and the vendor take back mortgage will be reduced accordingly.

#### Project Development

The current plan is for the purchaser to construct and develop 128 stacked townhouses with a gross floor area of approximately 140,800 square feet, however the purchaser may alter its current plan if discussions with regulatory authorities to increase the zoning density for the Property

are successful and, economically, it is preferable to construct and develop a larger townhouse project, a highrise condominium or other project on the Property.

## Financing

The Partnership has issued a commitment for second mortgage financing in the principal amount of up to \$12,300,000. on the following terms:

Principal Amount : Up to \$12,300,000.

Term: Two years, however the General Partner can extend the term for an additional six month period.

Interest Rate: 15% per annum. Interest at the rate of 10% per annum is to be paid quarterly, with 5% per annum simple interest accruing and payable from gross project revenue, financing and refinancing proceeds.

Bonus: 15% of the profit from the project to be constructed and developed on the Property (or deemed profit in certain circumstances). If less than the full amount of the second mortgage financing is advanced by the Partnership, a proportionate share (based upon the principal advanced by the Partnership) of the bonus will be received by the Partnership. If the project is not completed at the time the second mortgage financing matures, the profit participation will be based upon appraisals. For purposes of profit determination, the hard costs of the project may not exceed 105% of the budgeted hard costs of the project.

Prepayment Rights: No prepayment right, however, as sales of townhouses are completed, the purchaser will be entitled to partial discharges on a per unit basis. To the extent that the vendor first mortgage financing is refinanced for a principal amount in excess of the original principal amount of the vendor first mortgage financing,

such increase will be used to reduce the second mortgage financing.

- Covenantor (i) Eran Ostfeld, a principal of the purchaser, will guarantee the principal amount of the second mortgage financing;
- (ii) Eran Ostfeld, will guarantee that actual hard construction costs for the project will not exceed 105% of budgeted hard construction costs.
- Commitment Fee: \$237,000. The commitment fee will be paid to ASG Mortgage Brokers Co. Ltd., a corporation controlled by the principals of the Agent. The Agent will also receive an annual fee of \$12,000. for investor relations services.
- Interest Reserve: \$4,227,000 for payment of interest under the vendor mortgage and the second mortgage financing.

The second mortgage financing is intended to be used by the purchaser to acquire the real property, to maintain the interest reserve for the vendor first mortgage financing, the second mortgage financing, and for certain development soft costs including sales and marketing expenses. To the extent that less than the maximum offering is raised, the purchaser is entitled to arrange mortgage financing for an amount not exceeding the shortfall, secured by pari passu mortgage security.

**Developer** The borrower of the second mortgage financing from the Partnership (and the purchaser of the Property) will be a corporation controlled by Hallstone Group Ltd.

### THE OFFERING

**Issuer** ASG Hallstone Drewry Limited Partnership, a limited partnership formed under the laws of the Province of Ontario

**Amount** A maximum of \$12,300,000

**Units** A maximum of 12,300 Units in the Partnership, representing the interests of the Limited Partners in the Partnership.

**Price** \$1,000 per Unit.

**Use of proceeds**

All costs of this Offering, including all marketing costs, will be paid by the borrower under the commitment letter issued by the Partnership. The proceeds will be used to advance a second mortgage loan secured by real property located at 51 Drewry Avenue, 18 Inez Court, 20 Inez Court, 21 Inez Court, 22 Inez Court, 23 Inez Court, 24 Inez Court, 25 Inez Court, 26 Inez Court, 27 Inez Court and 28 Inez Court, in Toronto, Ontario, (or such replacement real property as described in the Offering Memorandum) which loan is to be used for the purposes of acquisition of such real property, the payment of the fees outlined in the commitment issued by the Partnership, to maintain an interest reserve and to finance certain costs in connection with the development of such real property. See "Use of Available Funds" on page 10.

**Closing**

The first closing of the Offering will take place after the satisfaction of all conditions precedent for the closing of the Offering.

**Investor Services Agreement**

The Agent will be paid an annual fee of \$12,000 payable monthly for investor relations services including assisting the Partnership in operational reporting to Limited Partners, which fee will be paid by the borrower in accordance with the commitment letter issued by the Partnership.

**ASG HALLSTONE DREWRY LIMITED PARTNERSHIP****The Partnership**

ASG Hallstone Drewry Limited Partnership (the "**Partnership**") is a limited partnership formed under the laws of the Province of Ontario. Its general partner is ASG Drewry GP Limited (the "**General Partner**"), a corporation incorporated under the laws of the Province of Ontario.

**Business of the Partnership**

The business of the Partnership is to advance a second mortgage loan to Hallstone Group Ltd. or to a corporation controlled by the principals of Hallstone Group Ltd. secured by real property located at 51 Drewry Avenue, 18 Inez Court, 20 Inez Court, 21 Inez Court, 22 Inez Court, 23 Inez Court, 24 Inez Court, 25 Inez Court, 26 Inez Court, 27 Inez Court and 28 Inez Court, in Toronto, Ontario, (or such replacement real property as described in the Offering Memorandum) which loan is to be used for the purposes of paying offering expenses of the Partnership, acquiring such real property, the payment of fees outlined in the commitment letter issued by the Partnership, to maintain an interest reserve and to finance certain costs in connection with the development of such property. See "Business of the Partnership" on page 11.

<b>General Partner</b>	The General Partner is a single purpose corporation, the shares of which are controlled by an affiliate of the Agent.
<b>Initial Capital contribution</b>	The initial capital contribution of the Limited Partners is \$1,000 for each Unit.
<b>Distributions</b>	<p>All revenue received by the Partnership, after the creation of a reasonable working capital reserve, as determined by the General Partner, will be applied, to the extent available, in the following manner and priority:</p> <ul style="list-style-type: none"> <li>(a) first, to the expenses of the Partnership;</li> <li>(b) distribution on the Units to the Limited Partners of an annual non-compounded cumulative preferred return of 15% on the capital contributed to the Partnership which remains outstanding from time to time;</li> <li>(c) repayment of all capital contributed by the Limited Partners to the Partnership and not yet repaid;</li> <li>(d) the balance 99.99% to the Limited Partners and 0.01% to the General Partner.</li> </ul>
<b>Net income and loss of the Partnership</b>	The net losses, if any, of the Partnership are to be allocated to the Limited Partners to the extent of the aggregate of the capital contributed by them and their share of undistributed net income of the Partnership. All further net losses are to be allocated to the General Partner. The net income of the Partnership will generally be allocated in a manner consistent and generally in accordance with the amounts and manner in which distributions are made by the Partnership.
<b>Partnership Agreement</b>	<p>The rights and responsibilities of the General Partner respecting the management of the Partnership, allocation of income, gains and losses, and investment decisions are contained in the Partnership Agreement. By executing a Subscription Agreement all subscribers will commit contractually to the Partnership Agreement.</p> <p>Certain major decisions require approval by 60% of the votes cast at a meeting of Limited Partners.</p> <p>See "Terms of the Partnership Agreement" on page 21.</p>
<b>Additional capital contribution</b>	If the Partnership experiences a cash flow deficiency and the General Partner is unable to arrange for a loan to the Partnership from a bank, trust company or other lender in respect of such deficiency, the Limited Partners may, by

approval of 60% of the votes cast at a meeting of Limited Partners (a special resolution), request each Limited Partner to make an additional capital contribution to the Partnership with the amount to be contributed by each Limited Partner being equal to their proportionate share of the total amount so required by the Partnership. Although there is no obligation on a Limited Partner to make an additional capital contribution to the Partnership, all additional capital contributions so made by the Limited Partners will bear interest at such rate (which rate will be the same for all of the Limited Partners), if any, as will be determined by the General Partner from time to time. The consequences of a failure to make such a contribution are set out under "Capital Call" on page 24. As well, the Partnership may default under its obligation to provide the second mortgage financing as a result of Limited Partners failing to contribute sufficient capital.

**Promoter of the Partnership**

ASG Drewry GP Limited, a corporation incorporated under the laws of the Province of Ontario, the general partner of the Partnership and its shareholders are the promoters. ASG Drewry GP Limited is controlled by an affiliate of the Agent. See "Directors, Management, Promoters and Principal Holders of the General Partner" on page 18.

**Relationship between Issuer and Agent**

An affiliate of the Agent holds all of the shares of the General Partner and accordingly the Agent may be considered to be related to the Partnership for purposes of applicable securities regulations. The Agent may also be considered to be connected to the Partnership for such purposes, as directors and officers of the Agent are also directors and officers of the General Partner.

**Pari Passu Loan**

The Partnership may advance only a portion of the proposed second mortgage loan with the balance of such loan advanced by another lender pari passu with the Partnership and such other lender participating in the profits of the proposed development project in proportion to the principal amount of the loan advanced. In such event the second mortgage may be registered in the name of the General Partner, or in the name of another entity for the benefit of the lenders.

**Resale Restrictions**

Under applicable securities laws, the resale of the Units is subject to restrictions. Since the Partnership is not a "reporting issuer" under applicable securities laws and it is not contemplated that it will become one, if no exemption is available under applicable securities laws and regulations or an appropriate discretionary order obtained pursuant to applicable

securities laws, the Units cannot be sold without a prospectus for an indefinite period of time. See "Resale Restrictions" on page 37.

### **Risk Factors**

Investment in the securities offered hereby is highly speculative due to the nature of the Partnership's business. Investment in the Partnership involves various risks referred to under "Risk Factors" on page 30. These include risks inherent in the financing of real estate and business investment generally and financing land development in particular, servicing and development risks, conflicts, second ranking financing is generally considered a higher risk than primary financing, illiquidity of real estate, fluctuations in real property values, assumptions based upon the timing of the requirement to pay certain expenses and the timing of sales proceeds, reliance upon Hallstone Group Ltd. and on the General Partner, the lack of a formal market for the Units, no exit mechanism and the resale restrictions and hold periods prescribed by applicable securities laws.

### **Purchaser's Rights**

A purchaser of securities offered hereby will have certain statutory and contractual rights, including, a right of action if there is a misrepresentation in this Offering Memorandum and, a two-day cancellation right. See "Purchaser's Rights" on page 37.

### **Income Tax Considerations**

Note should be made that no opinion has been obtained as to the tax ramifications of an investment in Units. Investors should consult with their own advisers to assess the income tax aspects of investment in Units.

### **Currencies**

All dollar figures in this Offering Memorandum are in Canadian dollars unless otherwise indicated.

## OFFERING MEMORANDUM

### USE OF AVAILABLE FUNDS

#### Net Proceeds and Available Funds

		Assuming minimum offering	Assuming maximum offering
A	Amount to be raised by this offering	\$5,700,000	\$12,300,000
B	Selling commissions and fees <sup>1</sup>	\$570,000	\$1,230,000
C	Estimated offering costs (e.g. legal, accounting, audit) <sup>2</sup>	\$100,000	\$100,000
D	Net proceeds	\$5,700,000	\$12,300,000
E	Bridge Financing <sup>3</sup>	\$6,600,000	\$0
F	Available Funds	\$12,300,000	\$12,300,000

1. The borrower will assume this obligation and pay the Agent. An affiliate of the Agent owns and controls the shares of the General Partner. Allan Grossman a director and an officer of the Agent is also a director and officer of the General Partner. Dan Kowalchuk an officer of the Agent is also a director and officer of the General Partner.
2. The offering expenses will be paid directly or indirectly (from commitment fee) by the borrower. A portion of the offering expenses attributable to accounting fees will be paid to Grunwald & Co. for accounting services. Leopold Grunwald is a principal of Grunwald & Co. and is also registered as a salesperson with the Agent.
3. If less than all of the Units are sold on the first closing then the difference between the amount raised on the first closing of the Offering and the balance of the amount required to be advanced by the Partnership as a second mortgage loan to the Borrower may be funded by bridge financing (the "Bridge Financing") which may be secured by an assignment or other security registered against the Partnership's interest in the second mortgage loan advanced to the Borrower. The interest rate on the Bridge Financing payable by the Partnership will not exceed 18% per annum. The monthly payments on the Bridge Financing will be funded from the Partnership's share of cash reserves, and within one year from the first closing of this Offering, the Partnership intends to repay the principal balance from the proceeds of subsequent closings. The Partnership has not received any commitment for the Bridge Financing, but if such financing is required and is not obtained at an interest rate payable by the Partnership not exceeding 18% per annum, then the advance of the second mortgage loan to the Borrower may not be completed.

#### Use of Available Funds

Description of intended use of available funds listed in order of priority	Assuming minimum offering	Assuming maximum offering
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Mortgage Loan Advance to Borrower	\$12,300,000	\$12,300,000
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Description of expected use of loan advance by Borrower	Amount
Property Purchase (excluding vendor take back mortgage)	\$5,120,000
Closing Costs (including Land Transfer Taxes)	\$350,000
Certain Development Costs	\$1,100,000
Interest Reserve for First Mortgage and Second Mortgage Financing	\$4,227,000
Selling Commission and Fees of the Agent	\$1,230,000
Commitment Fee	\$237,000
Contingency	\$36,000

### Reallocation

The Partnership intends to spend the available funds as stated. The Partnership will reallocate funds only for sound business reasons.

## BUSINESS OF THE PARTNERSHIP

### Structure

The Partnership is a limited partnership formed, under the laws of the Province of Ontario, under the name "ASG Limited Partnership No. 32" by a declaration filed pursuant to the *Limited Partnerships Act* (Ontario) on December 7, 2006. The Partnership changed its name to ASG Hallstone Drewry Limited Partnership by a further declaration filed pursuant to the *Limited Partnerships Act* (Ontario) on October 15, 2007.

The head office and address for service of the Partnership is located at 162 Cumberland Street, Suite 300, Toronto, Ontario, M5R 3N5.

The General Partner of the Partnership is ASG Drewry GP Limited which was incorporated pursuant to the *Business Corporations Act* (Ontario) on October 4, 2007. The General Partner became the general partner of the Partnership on October 11, 2007 replacing 1555219 Ontario

Inc. The General Partner is a single purpose corporation, has no material net worth and no interest other than its ownership interest in the Partnership.

The head office and address for service of the General Partner is located at 162 Cumberland Street, Suite 300, Toronto, Ontario, M5R 3N5.

## **Our Business**

The business of the Partnership is to participate as a second mortgage lender in the development project of Hallstone Group Ltd. or a corporation controlled by the principals of Hallstone Group Ltd., including financing the acquisition of real property located at 51 Drewry Avenue, 18 Inez Court, 20 Inez Court, 21 Inez Court, 22 Inez Court, 23 Inez Court, 24 Inez Court, 25 Inez Court, 26 Inez Court, 27 Inez Court and 28 Inez Court, in Toronto, Ontario (or such replacement property as described in the Purchase Agreement) for the purposes of servicing and developing such real property and subsequently constructing a residential project. It is not expected that the purchaser of the Property will have invested equity into the proposed project.

The mortgage loan is expected to have investment characteristics similar to equity ownership. In addition to interest on the loan advanced, the Partnership intends to participate in a portion of the income earned by the developer. The mortgage loan to be advanced by the Partnership is expected to be secured as a second mortgage or charge upon the real property being developed and accordingly will rank behind existing or proposed prior security on such property. The mortgage may take the form of a mortgage, deed of trust, charge or other security interest of or in the real property or any ancillary property.

Investors will not have an opportunity to evaluate the project to be developed on the Property to be financed with the offering proceeds other than as specifically set out in this Offering Memorandum.

The second mortgage loan financing may be completed prior to the first closing of this Offering and to the extent that the General Partner or another entity advances a loan to the Partnership to complete the initial advance of the second mortgage loan financing, such advance will be repaid upon the first closing of this Offering together with interest at a rate not exceeding the interest payable by the borrower.

## **Purchase Agreement**

1591280 Ontario Inc., a corporation controlled by the Hallstone Group Ltd., as purchaser entered into an agreement of purchase and sale (the "Purchase Agreement") with 1641911 Ontario Limited, an unrelated corporation, as vendor, for the purchase of 11 separate parcels of land municipally known as 51 Drewry Avenue, 18 Inez Court, 20 Inez Court, 21 Inez Court, 22 Inez Court, 23 Inez Court, 24 Inez Court, 25 Inez Court, 26 Inez Court, 27 Inez Court and 28 Inez Court, in Toronto, Ontario, (or such replacement real property as described in the Purchase Agreement) including all buildings and other structures on such property (collectively the "Property").

Subject to adjustment, the purchase price for the Property is \$12,800,000. of which \$5,120,000. is to be paid upon the acquisition, and the vendor will take back an open mortgage in the amount of \$7,680,000. for a term of one year, with interest at the rate of 6% per annum, payable monthly. The acquisition of the Property is scheduled for November 15, 2007. The expectation is that the vendor mortgage will be refinanced after the project to be constructed upon the

Property is finalized and the purchaser obtains traditional construction financing for the project. Such traditional construction financing will typically require a certain percentage of sales of residential units before funds are advanced.

In addition to adjustments normally made between a vendor and purchaser of property similar to the Property, if the purchaser is unable to receive approval to erect 128 stacked townhouses with a gross floor area of 130,000 square feet, then the purchase price is to be reduced by \$100.00 per square foot and the mortgage will be reduced accordingly. However, if the Purchaser can build more than 128 stacked townhouses or more than 130,000 square feet, the purchase price will not be increased.

Under the Purchase Agreement, the purchaser is permitted to examine title to the Property and subject to usual permitted encumbrances, it is expected that the Property will be delivered free and clear of encumbrances on the date of acquisition other than the vendor take back first mortgage. The purchaser is obligated to assume certain leases, all of which may be terminated or expire within a short period of time after the scheduled acquisition date.

The vendor is expected to enter into a land exchange agreement with the City of Toronto whereby the vendor will convey all of 51 Drewry Avenue and most of 18 Inez Court, 20 Inez Court and 21 Inez Court for a service road and the City of Toronto in return will transfer the cul de sac on Inez Court in order that the purchaser will obtain the parcel it requires for the contemplated project.

### **Project Development**

The current plan is for the purchaser to construct and develop 128 stacked townhouses with a gross floor area of approximately 140,800 square feet, however the purchaser may alter its current plan if discussions with regulatory authorities to increase the zoning density for the Property are successful and, economically, it is preferable to construct and develop a larger townhouse project, a highrise condominium or other project on the Property. The current plans are for the proposed townhouses to be approximately 1,100 square feet each, with the buildings to be four stories with one level of underground parking. Hallstone Group Ltd. has commissioned Kirkor Architects & Planners to assist in the planning and design of the project. Investors will not have an opportunity to evaluate the project to be developed on the Property to be financed with the offering proceeds other than as specifically set out in this Offering Memorandum.

### **Financing**

The Partnership has issued a commitment for second mortgage financing in the principal; amount of up to \$12,300,000. on the following terms:

Principal Amount : Up to \$12,300,000.

Term: Two years, however the General Partner can extend the term for an additional six month period.

Interest Rate: 15% per annum. Interest at the rate of 10% per annum is to be paid quarterly, with 5% per annum simple interest accruing and payable from gross project revenue, financing and refinancing proceeds of the purchaser.

- Bonus:** 15% of the profit from the project to be constructed and developed on the Property (or if not completed by the maturity date the deemed profit). If less than the full amount of the second mortgage financing is advanced by the Partnership, a proportionate share (based upon the principal advanced by the Partnership) of the bonus will be received by the Partnership. If the project is not completed at the time the second mortgage financing matures, the profit participation will be based upon appraisals. For the purposes of profit determination, the hard costs of the project may not exceed 105% of the budgeted hard costs of the project.
- Prepayment Rights:** No prepayment right, however, as sales of townhouses are completed, the purchaser will be entitled to partial discharges on a per unit basis. To the extent that the vendor first mortgage financing is refinanced at the time it matures for a principal amount in excess of the vendor first mortgage financing, such increase will be used to reduce the second mortgage financing.
- Covenantor:** (i) Eran Ostfeld, a principal of the purchaser, will guarantee the principal amount of the second mortgage financing;
- (ii) Eran Ostfeld, will guarantee that actual hard construction costs of the project will not exceed 105% of budgeted hard construction costs.
- Commitment Fee:** \$237,000. The commitment fee will be paid to ASG Mortgage Brokers Co. Ltd., a corporation controlled by the principals of the Agent.
- Interest Reserve:** \$4,227,000 for the payment of interest by the borrower on the first mortgage financing and for the payment of interest by the borrower on the second mortgage financing.
- Security:** (i) second registered charge/mortgage of the Property subject only to a first charge/mortgage in the principal amount not exceeding \$7,680,000.;
- (ii) second general assignment of leases, rents, income and profits arising from or in connection with the Property;
- (iii) second security interest (by way of general security agreement or other instrument) over any and all personal property used in connection with the Property;
- (iv) second assignment of insurance proceeds.

The second mortgage financing is intended to be used by the purchaser to acquire the real property described in this Offering Memorandum, to maintain the interest reserve for the first and second mortgage financing, to pay the fees outlined in the commitment letter issued by the Partnership (including the commissions and fees of the Agent and offering expenses) and for certain development soft costs relating to the project to be developed on the Property including sales and marketing expenses. To the extent that less than the maximum offering is raised, the purchaser is entitled to arrange mortgage financing for an amount not exceeding the shortfall, secured by pari passu mortgage security. The second mortgage financing may be advanced in one advance or in a number of advances as determined by the General Partner.

## **Profit**

In addition to the interest payable to the Partnership on the second mortgage loan financing, the Partnership is entitled to a bonus of 15% of the profit from the project to be constructed and developed on the Property (or if not completed by the maturity date the deemed profit). If less than the full amount of the second mortgage financing is advanced by the Partnership, a proportionate share (based upon the principal advanced by the Partnership) of the bonus will be received by the Partnership. The Agent will also be entitled to receive a fee equal to 15% of the profit from the project determined after the bonus payable to the Partnership.

If the purchaser proceeds with the construction and development of 128 stacked townhouses of approximately 1,100 square feet each then it is expected that the project may be completed within 24 to 27 months. If, however, the purchaser alters its current plan after discussions with regulatory authorities to increase the zoning density for the Property and, economically, it is preferable to construct and develop a larger townhouse project, a highrise condominium or other project on the Property, the project will not be completed at the time the second mortgage financing matures. In that event, the profit participation will be based upon appraisals for the Property and, if applicable, the project to the date of the maturity of the second mortgage financing. For the purposes of profit determination, the hard costs of the project may not exceed 105% of the budgeted hard costs of the project.

### **Pari Passu Loan**

The Partnership may advance only a portion of the proposed second mortgage loan with the balance of such loan advanced by another lender pari passu with the Partnership and such other lender participating in the profits of the proposed development project in proportion to the principal amount of the loan advanced. In such event the second mortgage may be registered in the name of the General Partner, or in the name of another entity for the benefit of the lenders.

### **Area**

The Property is located just north of Finch Avenue and just west of Yonge Street, in Toronto, Ontario. The Property is within walking distance of the Finch subway station along the Yonge Street subway line and is in an area of residential homes, retail and commercial properties along Yonge Street, and in close proximity to various projects under construction including two highrise condominium buildings. The information received by Hallstone Group Ltd. is that the first of the two highrise buildings has been sold out, with condominium units sold at a price of approximately \$360. per square foot, on a site which the principals of Hallstone Group Ltd. believe is inferior to the Property.

The data contained herein has been obtained from sources assumed to be reliable. The General Partner and the Agent have not independently verified this information.

### **Hallstone Group Ltd.**

The second mortgage financing will be provided to a corporation controlled by the principals of Hallstone Group Ltd. Eran Ostfeld, Chief Executive Officer, and Stephen Maizels, Chief Operating Officer, the principals of the Hallstone Group Ltd., have over 30 years experience in the development and construction industry with a majority of their projects involving various forms of residential housing throughout the Greater Toronto Area. Their portfolio includes high-rise condominiums, townhouses, single family homes, and retail commercial projects, and the principals of the Hallstone Group Ltd. have built a track record of successfully managing the construction and development of marketable product.

The Hallstone Group Ltd. has focused its recent efforts on residential infill sites. Situated in already-established and vibrant neighbourhoods, infill sites offer the valuable benefit of friendly neighbours, convenient amenities, and a strong community life immediately upon move-in. Typically small to mid-sized, infill projects are usually completed in less time than other residential projects. Additionally, infill sites boast central locations and, often, much shorter commutes in charming, established locations.

Their current projects include:

Leaside- Current plans are for 5 luxury freehold townhouses with over 2000 square feet of living space in each.

Queen Street East- Located at the corner of Queen Street East and Rushbrooke, current plans are for 12 houses averaging 1,000 square feet.

Milliken- This project is an infill development located at the south east corner of the intersection of Passmore Avenue and Oasis Blvd. (formerly Neilson Road) in the City of Toronto (Scarborough), Ontario. The general area is known as Milliken and is named for the Village of Milliken located around Markham Road and Steeles Avenue. The site is picturesque and comprises 13 acres of land, including approximately 6 acres of parkland and open space, and is currently draft plan approved for the construction of 61- thirty foot frontage single detached lots.

Churchill Park- This project of 36 traditional free-hold houses is located on quiet Basswood cul-de sac, close to Yonge Street and the North York Centre.

Nancy Pocock Place- Located just south of Bloor Street in Toronto on Clinton Street, this project is a short walk from the Christie Subway.

Clairtrell Mews- This project consists of 43 townhouses in the Bayview and Sheppard area. The homes range from 1600 to 2200 square feet.

Scarborough Bluffs- This project consists of 4 semi-detached houses and 3 townhouses.

The Hallstone Group management team includes:

Eran Ostfeld, Chief Executive Officer, is a seasoned entrepreneur with extensive background and interests in real estate development and management, financing, merchandising and technology development. An owner of residential and retail income properties for many years Eran ventured out into significant land development and joined forces with Stephen Maizels to form the Hallstone Group.

Stephen Maizels, Chief Operating Officer, is experienced in the development industry. Moving on from early careers as an Industrial Accountant with 3M and in the mainframe computer industry with Univac and Honeywell, he has been developing land, and building high rise, low rise and commercial property for over 30 years. Over the last seven years he has focused very successfully on infill projects in the City of Toronto.

Brian Cohen CA(SA), brings significant depth to financial management. He is a perceptive and insightful counsel to senior management, bringing extensive business experience from many years as a front line manager. At CIBC, as consultant and project leader, he addressed complex international loan operations issues at this financial institution. His analytical approach and experience in land development is an important part of the Hallstone Group.

David MacAdam B.Comm MBA, has been in the land development industry for 25 years. He has managed, directed, and been involved in the planning implementation and construction of land development projects within Canada and the United States. David has vast experience in maximizing returns on property investments by efficiently and effectively utilizing resources.

Nilly Nachman, has been in the front line of new home sales for many years. After working with Stephen Maizels at Camrost, she maintained contact with him and three years ago joined the Hallstone Group to look after sales and marketing.

Mendel Fishman fills the important role of construction co-ordination. Getting the right instructions from marketing and development into the hands of the construction team requires a passion for well executed detail at all times. His background makes him well qualified for this pivotal role.

Michael Delli Benedetti has an excellent track record of producing quality housing product, on time and on budget. With a first class record with TARION (the new home warranty program) through his Icon Management Company, is responsible for the construction management for the Hallstone Group.

The Hallstone Group Ltd. management team is supported by a number of professional firms for planning, architectural, engineering, landscape, legal, survey, geo-technical and environmental, functions. Hallstone uses professional firms whose specialty and experience completely harmonize with each project's special requirements. Hallstone Group Ltd. has just opened a new major design and décor centre just north of the Property and is poised to start sales as soon as development has been finalized and approvals are in place.

### **Long Term Objectives**

The long term objectives of the Partnership are to invest the funds of the Partnership in the second mortgage loan to Hallstone Group Ltd. or a corporation controlled by the principals of Hallstone Group Ltd. secured by real property located at 51 Drewry Avenue, 18 Inez Court, 20 Inez Court, 21 Inez Court, 22 Inez Court, 23 Inez Court, 24 Inez Court, 25 Inez Court, 26 Inez Court, 27 Inez Court and 28 Inez Court, in Toronto, Ontario (or such replacement property as described in the Purchase Agreement), to earn interest income on such second mortgage financing and its share of any profits from the project to be developed upon the Property.

### **Short Term Objectives and How the Partnership Intends to Achieve Them**

<i>What we must do and how we will do it</i>	<i>Target completion date or, if not known, number of months to complete</i>	<i>Our cost to complete</i>
Advance of Second Mortgage Loan	On or before November 15, 2007	up to \$12,300,000.
Determine the Project to be Developed	At least six months	\$0

### **Material Agreements**

The following are the material agreements which are entered into in the ordinary course of the Partnership's and the General Partner's business:

- (a) Limited partnership agreement for the Partnership (the “**Partnership Agreement**”) which is described in more detail under "Terms of the Partnership Agreement" on page 21.
- (b) Purchase agreement for the purchase by 1591280 Ontario Inc., a corporation controlled by Hallstone Group Ltd., or an entity related to Hallstone Group Ltd. of the Property which is described in more detail under “Our Business” on page 12 and “Purchase Agreement on page 12. The vendor is unrelated to the General Partner and its directors, officers and shareholders, and is unrelated to Hallstone Group Ltd. and its directors, officers and shareholders.
- (c) Vendor mortgage financing in the aggregate amount of \$7,680,000 granted by the vendor of the Property to the purchaser of the Property upon the acquisition of the Property and which is described in more detail under "Purchase Agreement" on page 12.
- (d) Commitment Letter issued by the Partnership in connection with the second mortgage financing to be provided to the purchaser in the principal amount of up to \$12,300,000. and which is described in more detail under “Financing” on page 13, and all security to be provided to the Partnership in connection with such second mortgage financing.
- (e) Investor services agreement (the “**Investor Services Agreement**”) to be entered into on or before the first Closing between the Agent and the Partnership. The Agent will be paid an annual fee of \$12,000 payable monthly for investor relations services including assisting the Partnership in operational reporting to the Limited Partners. The term of the agreement is two years and thereafter, is automatically renewable from year to year unless terminated by any one of the parties by giving at least six months notice. An affiliate of the Agent owns and controls the General Partner. Grunwald & Co. will receive fees for accounting services and Leopold Grunwald a partner of Grunwald & Co. is also registered as a salesperson with the Agent.
- (f) Agency agreement between the Partnership and the Agent entered into on the date of this Offering Memorandum which is described in more detail under "Plan of Distribution" on page 27.
- (g) Deposit agreement between the Agent and the General Partner entered into on the date of this Offering Memorandum in which the Agent has agreed to hold subscription proceeds and subscription agreements in escrow pending the first Closing. Allan Grossman, a director and officer of the Agent is also a director and officer of the General Partner. Dan Kowalchuk, an officer of the Agent is also a director and officer of the General Partner. The Agent will not receive any additional payment for its services under the deposit agreement.

## **DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS OF THE GENERAL PARTNER**

### **Compensation and Securities Held**

<i>Name and municipality of principal residence</i>	<i>Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position</i>	<i>Compensation paid by issuer in the most recently completed financial year (or, if the issuer has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year</i>	<i>Number, type and percentage of securities of the issuer held after completion of minimum offering</i>	<i>Number, type and percentage of securities of the issuer held after completion of maximum offering</i>
Dan Kowalchuk Markham, Ontario	Director, Secretary	None	None	None
Allan Grossman Toronto, Ontario	Director, President	None	None	None
ASG Financial Holdings Inc. <sup>4</sup>	Promoter, Principal Holder	As shareholder of the General Partner will receive a portion of the distributions payable to the General Partner from the Partnership <sup>4</sup>	None <sup>5</sup>	None <sup>5</sup>

4. ASG Financial Holdings Inc. is an affiliate of the Agent. Allan Grossman, a director and an officer of the Agent is a director and officer of the General Partner. The Agent will receive a fee of \$12,000 per year under the investor services agreement in addition to commissions paid for selling Units and a fee of 15% of the profit of the project. ASG Mortgage Brokers Co. Ltd., an affiliate of the Agent, will receive a commitment fee of \$237,000 from the borrower. Grunwald & Co. will receive fees for accounting services provided to the Partnership. Leopold Grunwald a partner of Grunwald & Co. is also registered as a salesperson with the Agent.

5. The General Partner, its shareholders, family members, directors, officers, or affiliates may subscribe for Units at any closing.

### Management Experience

<i>Name</i>	<i>Principal occupation and related experience</i>
Allan S. Grossman	President, ASG Financial Corp. and Chartered Accountant
	Mr. Grossman founded ASG Financial Corp. in 1988. ASG Financial Corp. introduces private investors to strategic opportunities and ambitious entrepreneurs with promising ideas to the right financing sources. Its goal is to enable companies to reach their potential and to enable investors to optimize their returns. Through a worldwide network of financiers, entrepreneurs and professionals, it has facilitated start ups, product/service extension and market expansions for companies in Canada, the US and Israel and has raised more than \$600 million through private placements to "angel" investors, venture capital firms and limited partnership offerings. Mr. Grossman has extensive knowledge of the real estate sector and financing of real estate. Until June 30, 2005 Mr. Grossman was also a partner of Horwath Orenstein LLP.
Dan Kowalchuk	Chief Financial Officer, ASG Financial Corp. and Chartered Accountant

	In 2003, Mr. Kowalchuk joined ASG Financial Corp. as Chief Financial Officer where his responsibilities include new project due diligence, project monitoring and tax and financial statement compliance for the various projects under its administration. Mr. Kowalchuk joined Horwath Orenstein LLP in 1981, becoming a chartered accountant in 1985 and a partner in 1993. He worked principally with mid sized owner managed businesses with a primary focus in the real estate industry including development, commercial and residential rental operations and retirement homes until June 30, 2005.
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## CAPITAL STRUCTURE OF THE PARTNERSHIP

### Capital of the Partnership

<i>Description of Security</i>	<i>Number authorized to be issued</i>	<i>Number of outstanding as of December 30, 2005</i>	<i>Number outstanding after minimum offering</i>	<i>Number outstanding after maximum offering</i>
Limited Partnership Units	12,300	One Unit issued to the Initial Limited Partner and to be redeemed at the time of the first Closing	5,700	12,300

### Long Term Debt

<i>Description of long term debt (including whether secured)</i>	<i>Interest Rate</i>	<i>Repayment terms</i>	<i>Amount outstanding on the first Closing</i>
Bridge Financing (if any) <sup>6</sup>	Up to 18% per annum (to be negotiated)	Interest at a rate payable by the Partnership not exceeding 18% per annum; repayment of principal in full within one year	Up to \$7,200,000

6. If less than all of the Units are sold on the first closing then the difference between the amount raised on the first closing of the Offering and the balance of the amount required to be advanced by the Partnership as a second mortgage loan to the Borrower may be funded by bridge financing (the "Bridge Financing") which may be secured by an assignment or other security registered against the Partnership's interest in the second mortgage loan advanced to the Borrower. The interest rate on the Bridge Financing payable by the Partnership will not exceed 18% per annum. The monthly payments on the Bridge Financing will be funded from the Partnership's share of cash reserves, and within one year from the first closing of this Offering, the Partnership intends to repay the principal balance from the proceeds of subsequent closings. The Partnership has not received any commitment for the Bridge Financing, but if such financing is required and is not obtained at an interest rate payable by the Partnership not exceeding 18% per annum, then the advance of the second mortgage loan to the Borrower may not be completed. There is no assurance that the Partnership will achieve the maximum offering and therefore no assurance that the Bridge Financing can be repaid from the proceeds of subsequent closings. In that case the Partnership will use its best efforts to extend or replace the Bridge Financing, but there is no assurance that it will be successful. See "Risk Factors" on page 30.

### Prior Sales by the Partnership

<i>Date of issuance</i>	<i>Type of security issued</i>	<i>Number of securities issued</i>	<i>Price per security</i>	<i>Total funds received</i>
December 7, 2006	Initial Unit	One	\$1.00	\$1.00

### Share Capital of the General Partner

<i>Description of security</i>	<i>Number authorized to be issued</i>	<i>Number outstanding as at the date of this offering memorandum</i>
Common Shares <sup>7</sup>	Unlimited	100

<sup>7</sup>. All shares have been issued to ASG Financial Holdings Inc.

## SECURITIES OFFERED

### Term of Securities

The securities offered under this Offering Memorandum are limited partnership units (the “**Units**”). The authorized capital of the Partnership is 12,300 Units, however the authorized capital may be increased by special resolution of the Limited Partners. The securities are subject to the terms and conditions of the Partnership Agreement. The statements in this Offering Memorandum concerning the Partnership Agreement are intended to be only a summary of certain provisions of the Partnership Agreement and do not purport to be complete. A copy of the Partnership Agreement is available for review by each subscriber for Units. Before executing a subscription agreement, you should review with your advisors the provisions of the Partnership Agreement.

### Terms of the Partnership Agreement

#### Units

There are a maximum of 12,300 Units in the Partnership, however such maximum may be increased by special resolution of the Limited Partners. Except for the nominal interest held by the Initial Limited Partner and the right of the General Partner to receive distributions from the Partnership (see “Distributions” on page 26”), there are no other interests to be issued except as described herein (see “Additional Units” on page 26). The Units have equal voting, distribution, liquidation and other rights and no preference, conversion, exchange, preemptive or redemption rights as against each other. Only registered holders of Units will be entitled to vote or to receive distributions or otherwise to exercise or enjoy the rights of Partnership.

Units may only be subscribed for by persons who are (i) “accredited investors” or “eligible investors” within the meaning of Section 1.1 of National Instrument 45-106; and (ii) purchasing the Units as principal; or who are otherwise permitted to acquire Units pursuant to applicable securities legislation. If the person is an individual, he must be of the age of majority and have the capacity and competence to enter into and be bound by the Partnership Agreement and to take all actions required pursuant thereto. If the person is a corporation, partnership, unincorporated association or other entity, it must have the legal capacity or competence to enter into and be bound by the Partnership Agreement and to take all actions required pursuant to the Partnership Agreement and certify that all necessary approvals of directors, shareholders,

partners, members or others have been given. A representation and warranty to such effect is contained in the Subscription Agreement provided as a part of this Offering Memorandum.

### Fiscal Year

The fiscal year of the Partnership will end on December 31 in each year.

### Transfer of Units

A Unit may be assigned and transferred by a Limited Partner or his agent duly authorized in writing if the following conditions are satisfied:

- (a) the transferee has delivered to the Registrar and Transfer Agent an executed transfer of the Units in the form of the transfer of Units attached to the Partnership Agreement or in such other form as may be approved by the General Partner and executed in a manner acceptable to the General Partner;
- (b) the transferee has executed a counterpart of the Partnership Agreement or otherwise agrees to be bound by its terms and has executed such other documentation as may reasonably be required by the General Partner;
- (c) the provisions of all applicable securities legislation have been complied with;
- (d) the transferor or transferee has paid or agrees to pay such costs, expenses and disbursements, including legal fees, as are reasonably incurred by the Partnership by reason of the transfer;
- (e) the transferor's Unit certificate issued pursuant to the Limited Partnership Agreement for the Unit(s) being transferred is surrendered to the General Partner;
- (f) the transferee supplies the General Partner with evidence that he has the status required to become a Limited Partner as set out above; and
- (g) such other requirements as may be required by law or may reasonably be required by the General Partner and/or the Registrar and Transfer Agent are satisfied.

Upon compliance with these conditions and updating of the Partnership records, the transferee will become bound as a Limited Partner and will be entitled to all the rights and subject to all of the obligations of a Limited Partner under the provisions of the Partnership Agreement. No transfer of a Unit relieves the transferor from any obligations to the Partnership incurred prior to the transfer becoming effective.

### Business of the Partnership

The business of the Partnership is restricted to advancing a second mortgage loan to Hallstone Group Ltd. or to a corporation controlled by the principals of Hallstone Group Ltd. secured by real property located at 51 Drewry Avenue, 18 Inez Court, 20 Inez Court, 21 Inez Court, 22 Inez Court, 23 Inez Court, 24 Inez Court, 25 Inez Court, 26 Inez Court, 27 Inez Court and 28 Inez Court, in Toronto, Ontario, (or such replacement real property as described in this Offering Memorandum) which loan is to be used for the purposes of paying offering expenses of the Partnership, acquiring such real property, the payment of fees outlined in the commitment letter issued by the Partnership, to maintain an interest reserve and to finance certain costs in connection with the development of such property. The Partnership may conduct any ancillary activities related to such business.

## Meetings

The General Partner may convene meetings of the Limited Partners at any time and, upon the written request of one or more Limited Partners representing not less than 30% of the Units, the General Partner will be required to convene a meeting. If the General Partner fails or neglects to call such a meeting within 30 days after receipt of such written request, then any such requesting Limited Partner may call the meeting.

Meetings of the Limited Partners will normally be held in the Greater Toronto Area. At least 21 days' notice of any meeting of Limited Partners is required. Such notice will set forth the matters to be considered at the meeting. The quorum for any such meeting is Limited Partners present in person and owning or representing, in person or by proxy, at least 60% of all Units. If a quorum is not present, the meeting will be adjourned for not less than 10 and not more than 21 days and the adjourned meeting will be at the same time and place as the original meeting and at least seven days' notice of the adjourned meeting will be given to the Limited Partners by the General Partner. Such notice need not set forth the matters to be considered unless they are different from those for which the original meeting was called. Each Unit will entitle the holder thereof to one vote at such meetings.

Any business or matter which may be approved at a meeting of Partners may, in lieu thereof, be approved by a majority of votes cast by written ballot pursuant to a poll of the Partners taken by mail. Notice of any such business or matter to be polled will be given to all Partners and such notice will describe the business or matter to be voted upon in sufficient detail to enable a Partner to make a reasoned judgment with respect thereto. Approval of any such business or matter will require, in the case of a decision otherwise requiring approval by Ordinary Resolution, approval by more than one half of the votes so cast by ballot and, in the case of a decision otherwise requiring approval by Special Resolution, approval by at least 60% of the votes so cast by ballot. Ballots must be received by the Partnership within the time limit established by the notice for such receipt, which time limit will in no case be less than 10 days from the date such notice is given to the Partners.

## Powers Exercisable Only by Special Resolution

Decisions on the following matters require approval by Special Resolution (i.e. 60% of votes cast) in order to be effective:

- (a) amending the Partnership Agreement, except as otherwise provided therein;
- (b) waiving any default by the General Partner on such terms as the Limited Partners may determine;
- (c) continuing the Partnership in the event that the Partnership is terminated by operation of law;
- (d) agreeing to any compromise or arrangement by the Partnership with any creditor, or class or classes of creditors;
- (e) amending, modifying, altering or repealing any Special Resolution previously passed by the Limited Partners;
- (f) subject to the provisions of the Partnership Agreement removing the General Partner and appointing a new General Partner, unless the General Partner requests that it be removed;

- (g) dissolving or terminating the Partnership;
- (h) approving a settlement of an action against the General Partner as a result of a breach of its duties;
- (i) authorizing the raising of additional capital by the sale of further Units of the Partnership; and
- (j) approving a capital contribution call by the General Partner.

#### Capital Call

If the Limited Partners by Special Resolution approve a capital contribution call by the General Partner and any Limited Partner does not advance his proportionate share of the capital requested, then the interest of such Limited Partner may, in the discretion of the General Partner, be subordinated to the new capital contributed by those Limited Partners advancing the further capital requested. Such new capital may bear interest at such rate as the General Partner may determine, in its discretion. There is no obligation on a Limited Partner to contribute any further capital to the Partnership and the Limited Partner's interest in the Partnership will not be otherwise adversely affected if he does not advance his proportionate share of the capital contribution.

#### Amendment to Partnership Agreement

Under the Partnership Agreement, the General Partner may, without notice to or consent from the Limited Partners, insert provisions into or amend existing provisions of the Partnership Agreement as may be required by any lenders providing financing for the business of the Partnership provided such amendments do not change the proportionate interest of any Limited Partner in the Partnership and provided such amendments do not impose a direct obligation on any Limited Partner to contribute further capital to the Partnership. Further, the General Partner may, without notice to or consent from the Limited Partners, insert provisions into or amend existing provisions of the Partnership Agreement rectifying any ambiguities, defective provisions or errors or omissions therein, provided that the rights of the Limited Partners are not materially prejudiced thereby.

The Limited Partners are entitled to authorize amendments to the Partnership Agreement by Special Resolution, but no such amendment that adversely affects the rights of the General Partner (other than removal of the General Partner) will be validly made without the consent of the General Partner.

#### Liability and Managing Powers of Limited Partners

Under the *Limited Partnerships Act* (Ontario), a limited partner is not liable for any debts, liabilities, losses or obligations incurred by a limited partnership in excess of his paid capital contributions and any unpaid capital contributions agreed to be paid in respect of his interest in the limited partnership, together with any undistributed income, provided he does not take part in the control or management of the business of the limited partnership. However, if any part of his capital contributions are returned or limited partnership property distributed to such limited partner then such limited partner (including any successor to such limited partner) might, under applicable law, be obligated under some circumstances to return amounts previously distributed to him, to the extent such distributions constitute a return of the amount he had agreed to contribute to the limited partnership, at a time when creditors had valid and unsatisfied claims against the limited partnership.

Under the terms of the Partnership Agreement, no Limited Partner is permitted to take part in the management of the business of the Partnership. The General Partner has unlimited liability for the debts, liabilities and obligations of the Partnership.

#### Powers of General Partner

Subject to those matters requiring an Ordinary Resolution or a Special Resolution and subject to the *Limited Partnerships Act* (Ontario), the General Partner shall carry on the business of the Partnership, with full power and authority to administer, manage or supervise the management of the affairs and business of the Partnership. The General Partner is liable for debts, liabilities and obligations of the Partnership to the extent required by the Act and other applicable legislation.

Subject to applicable privacy legislation, the books, records and documentation of the Partnership will be available for inspection by any Limited Partner or his duly authorized representative at the expense of such Limited Partner during normal business hours and after reasonable notice at the principal office of the Partnership.

#### Removal

The Partnership Agreement provides that if the General Partner is in material default of its obligations under the Partnership Agreement and such default continues for 30 days following written notice by a Limited Partner to remedy such default (unless the nature of the default is such that more than 30 days are required for its cure and the General Partner commences to cure such default within such 30 day period and diligently pursues completion of such curative measures) the General Partner can be removed and a successor appointed by Special Resolution. The General Partner may also resign after giving 180 days' written notice to the Partnership. The General Partner continues to receive its share of distributions after removal as general partner of the Partnership.

#### Offices of the Partnership

The current head office of the Partnership is located at 162 Cumberland Street, Suite 300, Toronto, Ontario M5R 3N5.

#### Accountant

The accountants of the Partnership will be Grunwald & Co., 162 Cumberland Street, Suite 300, Toronto, Ontario M5R 3N5, which firm will continue as such for so long as no other accountant has been appointed by the General Partner.

#### Registrar and Transfer Agent

The General Partner will be the Registrar and Transfer Agent. The register of the Limited Partners will be kept by the General Partner at its principal office located at 162 Cumberland Street, Suite 300, Toronto, Ontario M5R 3N5.

#### Remuneration of the General Partner

In addition to the fees and distributions described in this Offering Memorandum, the General Partner will be entitled to be remunerated by the Partnership for all expenses incurred by it that are chargeable to the Partnership.

#### Distributions

All revenue received by the Partnership, after the creation of a reasonable working capital reserve, as determined by the General Partner, will be applied, to the extent available, in the following manner and priority:

- (a) first, to the expenses of the Partnership;
- (b) distribution on the Units to the Limited Partners of an annual non-compounded cumulative preferred return of 15% on the capital contributed to the Partnership which remains outstanding from time to time;
- (c) repayment of all capital contributed by the Limited Partners to the Partnership and not yet repaid;
- (d) the balance 99.99% to the Limited Partners and 0.01% to the General Partner.

#### Additional Units

If the General Partner determines that additional funds are required by the Partnership, the General Partner, at any time and from time to time, may create by special resolution of the Limited Partners on behalf of the Partnership, and may offer for sale and sell, units or interests in the Partnership. Such additional units shall first be offered for sale, on the terms then proposed to be offered to anyone else, to the Limited Partners who are at such time holders of the Units, ratably according to the number of Units held by each. The additional units may be units of a different class than the Units or interests of a different nature than the Units and the holder thereof may be entitled to preferences, priorities or rights over Limited Partners holding Units in the allocation of income or loss and the share of distributions or the return of capital contributed. The General Partner may cause such amendments to be made to the Partnership Agreement, the declaration made under the Limited Partnerships Act (*Ontario*) and the register as may be necessary or appropriate to reflect the additional units or other interests and such preferences, priorities and rights.

#### Reporting

The Limited Partners will be provided with quarterly reports as to the financial status of the Partnership. The quarterly information will be internally prepared, and will be prepared in the format of internal management statements. In addition, annual unaudited accounting statements will be provided as soon as reasonably possible after the fiscal year end.

#### Profits and Losses

The net losses, if any, of the Partnership are to be allocated to the Limited Partners to the extent of the aggregate of the capital contributed by them and their share of undistributed net income of the Partnership. All further net losses are to be allocated to the General Partner. The net income of the Partnership will generally be allocated in a manner consistent and generally in accordance with the amounts and manner in which distributions of net profits and sales proceeds are made by the Partnership.

#### Dissolution of the Partnership

The Partnership shall be dissolved on the earlier to occur of the following:

- (a) the bankruptcy, dissolution or winding up of the General Partner, unless the General Partner is replaced within 120 days of such bankruptcy, dissolution or winding up;
- (b) the passage of a Special Resolution approving the dissolution and winding up of the Partnership;
- (c) December 31, 2025; or
- (d) after the distribution of all the assets of the Partnership, at the discretion of the General Partner.

The General Partner may make a recommendation for approval by Special Resolution that the Partnership be dissolved upon such terms and conditions as the General Partner sees fit and, without limiting the generality of the foregoing, the recommendation of the General Partner may include those terms and conditions which shall govern the relationship among the Limited Partners with respect to their respective interests subsequent to a dissolution of the Partnership.

The Partnership shall terminate following dissolution when the General Partner shall have taken full account of the Partnership's interest in the Partnership assets and liabilities, shall have liquidated the assets as promptly as is consistent with the obtaining of the fair value thereof and shall have applied and distributed the net proceeds therefrom to the Limited Partners in the same proportions and in the same order of priority as profits of the Partnership are distributed to the Partners as described under "Distributions" on page 26.

### **Plan of Distribution**

This Offering will be sold by ASG Financial Corp. (the "**Agent**") on behalf of the Partnership on a commercially reasonable efforts basis in reliance on certain statutory private placement exemptions pursuant to the terms of the private placement agency agreement between the Partnership and the Agent (the "Agency Agreement") and the Subscription Agreements. (See "Compensation Paid to Sellers and Finders" on page 30.) The Agent is registered under the Securities Act (Ontario) as a limited market dealer. The offering is being made to residents of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland, Nova Scotia, and Prince Edward Island only and not to persons resident in other provinces or in the United States. Subscriptions will only be accepted if the Agent and the General Partner are satisfied that you are appropriately qualified.

The Offering is being made in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland, Nova Scotia and Prince Edward Island, under the exemptions contained in National Instrument 45-106 (Prospectus and Registration Exemptions). The Alberta, British Columbia, Saskatchewan, Manitoba, Newfoundland, Nova Scotia and Prince Edward Island offering memorandum exemption provides that the registration and prospectus requirements of the *Securities Acts* of those provinces do not apply to a distribution by an issuer of a security of its own issue if the purchaser purchases the security as principal and, at the same time or before the purchaser signs the agreement to purchase the security, the Partnership (a) delivers an offering memorandum to the purchaser in the required form, and (b) obtains a signed risk acknowledgement form from the purchaser. For purchasers resident in Alberta, Manitoba, Saskatchewan and Prince Edward Island, the offering memorandum exemption only applies if the purchaser is an "eligible investor" as defined in National Instrument 45-106. Potential purchasers resident in Alberta, Manitoba, Saskatchewan and Prince Edward Island should refer to the Subscription Agreement for further information about the requirements

for qualification as an "eligible investor" and will be required to certify that they are "eligible investors" in the Subscription Agreement.

The British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland, Nova Scotia and Prince Edward Island accredited investor exemption provides that the registration and prospectus requirements of the *Securities Acts* of those provinces do not apply to a trade in a security to subscribers resident in those provinces who purchase as principal and who qualify as "accredited investors" as defined in the National Instrument. Potential purchasers should refer to the Subscription Agreement for further information about the requirements for qualification as an "accredited investor". Purchasers will be required to certify that they are "accredited investors" in the Subscription Agreement.

As well, the British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland, Nova Scotia and Prince Edward Island investment amount exemption provides that the registration and prospectus requirements of the *Securities Acts* of those provinces do not apply to a trade in a security to subscribers resident in those provinces who purchase as principal and whose acquisition cost is not less than \$150,000 paid at the time of the trade. The exemption is not available to a person or entity created or used solely to purchase securities in reliance on this exemption.

The Units may only be purchased by persons who are purchasing as principal for their own account and not for the benefit of any other person, for the purpose of investment only and not with a view to or for sale in connection with, any sale or distribution of the Units.

The purchase of Units involves certain risks and is not a suitable investment for all potential purchasers (see "Risk Factors" on page 30). Investment in Units is suitable only for persons who are prepared to hold the Units indefinitely, who are in a position to evaluate the prospective investment on the basis of this Offering Memorandum and such other information as is furnished to them, and who are able to bear the risk of investment loss. Accordingly, no subscription for Units will be accepted from a prospective purchaser unless such person represents that such person meets certain minimum suitability standards set out in the form of subscription agreement accompanying this Offering Memorandum (the "Subscription Agreement"). These suitability standards are minimum requirements for prospective purchasers and satisfaction of such requirements does not necessarily mean that an investment in Units is suitable for you. Subscribers for Units will also become bound by the terms of a deposit agreement which provides that proceeds of subscriptions will be held by the Agent in escrow until all conditions precedent to the first Closing have been satisfied.

Subscriptions received are subject to rejection or allotment by the General Partner in whole or in part. The General Partner reserves the right to close the subscription books at any time without notice. Confirmation of acceptance of a subscription will be forwarded to subscribers promptly after its acceptance. The General Partner is not obliged to accept any subscription. If any subscription is not accepted at any Closing, the money comprising such subscription will be promptly returned to the subscriber, without interest.

In addition to sales commission of 10%, the Agent will receive a fee of \$12,000 per year for investor services, a fee of 15% of the profit from the project, and ASG Mortgage Brokers Co. Ltd. an affiliate of the Agent, will receive a commitment fee of \$237,000 from the borrower.

### **Subscription Procedure**

The securities offered pursuant to this Offering Memorandum are only available by subscription through the Partnership and the Agent or its subagents. In order to subscribe for the Units, subscribers must complete and forward the following to the Agent:

- (a) two copies of the Subscription Agreement that has been supplied to you, complete with the necessary schedules, duly executed (one copy will be returned); and
- (b) certified cheque or wire transfer for the subscription amount payable to the Agent.

Certain Subscribers in all provinces other than Ontario must also complete and submit to the Agent a Form 45-106F4, Risk Acknowledgement Form, which is attached to the Subscription Agreement. This document forms part of the Subscription Agreement.

The subscription proceeds will be held in trust by the Agent for a minimum of two days prior to each Closing and will be returned (without interest) to subscribers immediately following January 31, 2008, if the minimum subscription is not achieved by that date. A subscriber will become a Limited Partner upon acceptance of the subscription by the General Partner on behalf of the Partnership and the execution of the Partnership Agreement provided the conditions precedent to the Closing are satisfied.

### **Closing**

Closing will occur on one or more dates, as determined by the Partnership and the Agent in accordance with regulatory requirements. The first Closing of the Offering will take place after the satisfaction of all conditions precedent for the first Closing. The Offering is subject to the satisfaction of the following conditions:

- (a) a minimum of \$5,700,000. has been subscribed for and is held by the Agent at least two days prior to the Closing;
- (b) legal counsel to the Partnership confirms that the Partnership has authorized the issuance of Units to the subscribers;
- (c) all of the material agreements to be executed on or before the first Closing shall have been executed and shall then be in effect; and
- (d) on or prior to the first Closing the borrower acquires title to the Property.

If the first Closing does not occur on or before January 31, 2008, the Agent will return all subscription proceeds immediately to subscribers, without interest.

### **INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY**

**You should consult your own professional advisers to obtain advice on the tax consequences that apply to you. Not all securities are eligible for investment in a registered retirement saving plan (RRSP). You should consult your own professional advisors to obtain advice on the RRSP eligibility of these securities.**

None of the Partnership, the General Partner and the Agent shall be responsible for or warrants any income tax consequences. No application has been made to Canada Revenue Agency for an advance income tax ruling with respect to the Partnership.

Prospective investors are urged to consult their own income tax advisers with specific reference to their own income tax situations. Regardless of the tax consequences, a decision to purchase the Units offered should be based primarily on the appraisal of the merits of the investment as such and on an investor's ability to bear any loss which may be incurred.

### **COMPENSATION PAID TO SELLERS AND FINDERS**

Under the Agency Agreement, the Partnership has appointed ASG Financial Corp. as its agent to offer the Units on a commercially reasonable efforts basis, with respect to this private placement. The Agent will receive a cash commission of 10% of the gross proceeds of the Offering (\$100 per Unit). Assuming the minimum offering, the selling commission will be \$570,000 and, assuming the maximum offering, the selling commission will be \$1,230,000.

The subscription proceeds will be held in trust by the Agent for a minimum of two days prior to each closing.

ASG Financial Corp. is an affiliate of ASG Financial Holdings Inc., a holder of all of the shares of the General Partner. The General Partner will receive distributions under the Partnership Agreement. Additionally, the Agent will receive fees under the Investor Services Agreement and will receive 15% of the profits from the project determined in the same manner as the share of the Partnership. ASG Mortgage Brokers Co. Ltd., an affiliate of the Agent will receive a commitment fee of \$237,000 from the borrower.

ASG Financial Corp., ASG Financial Holdings Inc. and ASG Mortgage Brokers Co. Ltd. are controlled by Allan S. Grossman. Certain individuals who work with Allan Grossman or their families will share in the profits earned by the Agent and its affiliates including Dan Kowalchuk, Tom Rolfe and Leo Grunwald, a partner of Grunwald & Co., the accountants for the Partnership, and Aran Kwinta, a lawyer with the firm of Chaitons LLP, legal counsel for the Partnership.

### **Relationship Between Issuer and Agent**

The General Partner controls the day-to-day management of the business and affairs of the Partnership. The controlling shareholder of the Agent directly or indirectly controls the General Partner and the Agent may be considered to be related to the Partnership for purposes of applicable securities legislation. The Agent may also be considered to be connected to the Partnership for such purposes as directors and officers of the Agent are also directors and officers of the General Partner.

### **RISK FACTORS**

The purchase of securities hereunder involves a number of risk factors. The risks described below are not the only risks involved with an investment in the Units. If any of the following risks occur, or if others occur, the Partnership's business, operating results and financial condition could be seriously harmed and purchasers may lose all of their investment. In addition to the risk factors set forth elsewhere in this Offering Memorandum, prospective purchasers should consider the following risks associated with a purchase of such securities.

***Price of the Units determined arbitrarily*** - The price of the Units was determined arbitrarily solely by the General Partner. The Partnership makes no representation to prospective investors as to the market value of the Units. All prospective investors are urged to consider the purchase of the Units on its merits as an investment and to consult professional advisers having relevant expertise.

**No market for units and no exit mechanism** - There currently is no market whatsoever for the Units and it is expected that there will be no market for the Units. Consequently, holders of such securities may not be able to sell them readily, and Units may not be readily accepted as collateral for a loan. Purchasers should be prepared to hold these securities indefinitely and cannot expect to be able to liquidate their investment even in the case of an emergency. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long-term investment.

**Less than full offering** - There can be no assurance that this Offering will be completely sold out. If less than all of the Units are sold, then less than the maximum proceeds will be available to the Partnership and, consequently, its business plans and prospects could be adversely affected, as these are the funds required to finance the Partnership's second mortgage loan to the borrower.

**Risks of real estate investment** - Investment in real estate in general and property for construction and development in particular, including financing of real estate by way of mortgages, is subject to numerous risks. Secondary financing which will be carried on by the Partnership is far riskier than primary financing. When a charge on real estate is in second position it is possible for the holder of the first mortgage, if the borrower is in default under the terms of such first mortgage, to take a number of actions against the borrower and ultimately against the real estate to realize upon the first priority security to the detriment of the Partnership's subordinate position, including causing the real estate to be sold. If sufficient proceeds are not realized from such sale to repay the Partnership's mortgage loan, the Partnership may lose its investment or part of its investment to the extent of such deficiency. In addition all investments in property for construction and development, whether by direct investment or by way of mortgage loans are subject to numerous risks, including the highly competitive nature of the business, changes in general or local economic or other conditions, changes in neighbourhood property values, interest rates, availability of mortgage funds, increases in real estate tax rates, increases in municipal levies and other operating and servicing expenses, competition from other development properties, the supply of and demand for housing, requirements imposed by governmental authorities relating to storm water management and drainage, water allocation from the municipality, requirements for draft plan approval, the possibility of competitive overbuilding, governmental rules and fiscal policies, and events and factors which are beyond the control of the Partnership. There can be no assurance that construction, development and servicing costs will remain at current feasible levels.

Certain significant expenditures, including property taxes, construction, development and servicing costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of and construction and development of the Property acquired and may increase regardless of whether such Property can be sold at an increased price sufficient to offset such increased expenses.

**Potential liability under environmental protection legislation** - Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, the Partnership could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in any of the properties acquired or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect the Partnership's ability to sell the Property acquired as a result of enforcing its mortgage, and could potentially also result in claims against the Partnership by private parties.

The Partnership and the General Partner are not aware of any material non-compliance, liability or other claim in connection with the initial properties to be acquired, nor of any environmental

condition with respect to the initial properties to be acquired which the Partnership believes would involve material expenditure.

**Financing and refinancing** – The traditional financing required for the construction and development of the project on the Property will require a certain percentage of the project to be sold as a condition of advancing the construction financing. There is no assurance that any part of the residential project will be sold or sold on a timely basis in order to fund construction and development costs for the project. The Property financed by the Partnership requires other third party financing in order to fund construction and development costs, which third party financing will have priority to the financing of the Partnership. The initial first mortgage financing will be obtained by the purchaser from the vendor as part of the Purchase Agreement, which vendor financing matures one year after the acquisition of the Property. There is no assurance that refinancing of such vendor first mortgage financing will be available, or if available, will be available on satisfactory terms and conditions, and at reasonable rates. In the absence of such replacement mortgage financing, the purchaser may not be able to complete the construction and development of the project or the vendor may realize upon the security granted.

There is a possibility that where the first mortgage is refinanced at higher interest rates, the purchaser may be unable to make payments of principal and interest on such prior ranking mortgage financing. In that case the Property acquired may be lost through the exercise of power of sale or foreclosure proceedings if the purchaser is unable to make the required payments or the Partnership does not advance further funds.

There is no assurance or guarantee that the project will be completed and sold within the time periods projected. There is no assurance or guarantee that any mortgage financing for the project will be renewed when it matures or, if renewed, renewed on the same terms and conditions (including the rate of interest). If any prior ranking mortgage financing cannot be renewed or refinanced at the end of its term, Limited Partners may have to contribute additional capital to the Partnership in order to protect their investment, failing which the prior ranking mortgagee may realize upon the security granted.

There is no assurance that the Partnership will achieve the maximum offering and therefore no assurance that the Bridge Financing, if any, can be repaid from the proceeds of subsequent sales of Units. Although the Partnership will use its best efforts to extend or replace the Bridge Financing, there is no assurance that it will be extended or replaced, or if extended or replaced, done so on the same terms and conditions (including the rate of interest). As well, there is no assurance that the Partnership will be able to make all interest payments under the Bridge Financing if the Bridge Financing is not repaid from subsequent offerings within a reasonable period of time.

**Future Project** - Limited Partners will not have an opportunity to evaluate or determine the project to be constructed and developed upon the Property by the borrower, other than as described in this Offering Memorandum. The project to be constructed and developed upon the Property may have a material impact upon the investment of the Partnership and its potential return on investment.

**Uninsured losses** - The borrower will arrange for appropriate insurance coverage, of the type and in the amounts customarily obtained for properties similar to those to be financed by the Partnership and will endeavour to obtain other coverage where warranted. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to the Property, the

Partnership could suffer a loss of capital invested and not realize any profits which might be anticipated from the construction and development of the project on the Property.

**Limited liability** - The limited liability of a Limited Partner may be lost if a Limited Partner takes part in the management of the business of the Partnership or through non-compliance with the applicable limited partnership legislation.

**Failure to make additional capital contributions** - The Partnership Agreement provides that, in certain circumstances, a Limited Partner may be requested to make additional capital contributions. If such contributions are not made, those Limited Partners contributing additional capital will receive interest on the contribution in priority to non-contributing Limited Partners and non-contributing Limited Partners will not receive distributions from the Partnership until all additional capital contributions are repaid together with interest. (See "Capital Call" on page 24.) In certain circumstances it may be crucial for the Partnership to advance additional funds to the project to be constructed and developed on the Property. Failure to make these additional contributions will be detrimental to the Partnership.

**Revenue shortfalls** - Revenues from the project undertaken by the borrower may not increase sufficiently to meet increases, if any, in construction and development expenses or debt service payments under mortgage financing or otherwise or to fund changes in the variable rates of interest charged in respect of such loans.

**Net worth of the General Partner** - The General Partner, which has certain obligations to the Partnership and has unlimited liabilities for the obligations of the Partnership, has no material net worth.

**Reliance on General Partner** - Prospective Limited Partners assessing the risks and rewards of this investment should appreciate that they will, in large part, be relying on the good faith and expertise of the General Partner. Other than with respect to certain extraordinary matters, the Partnership will be bound by the decisions of the General Partner. The Partnership Agreement provides that the General Partner may only be removed by a special resolution for an act of fraud, gross negligence in the performance of its duties or if the General Partner fails to perform its duties under the Partnership Agreement in the commercially reasonable manner of a general partner performing similar duties in respect of property in Ontario. It is likely that an act of fraud or gross negligence or the failure to meet the performance standard would only be recognized by the General Partner if it were a decision made by a court of law. It may therefore be difficult, time-consuming and expensive to remove the General Partner.

**Additional contributions** - The Partnership Agreement provides that the General Partner may, if authorized by special resolution, request that further additional capital contributions be made by Limited Partners.

**Reliance on management** - The Limited Partners will rely upon the expertise of Hallstone Group Ltd. and its related entities to manage the construction and development of the project financed by the Partnership. The principals of Hallstone Group Ltd. will devote so much of their time to the management as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the project financed by the Partnership and their other construction, development, investment and/or management activities. It would be inappropriate for subscribers who are unwilling to rely on the expertise of Hallstone Group Ltd. and its principals to subscribe for Units.

**Limited liability** - If Limited Partners receive a return of capital from the Partnership, including by way of redemption or a distribution of assets of the Partnership to Limited Partners in their existing form upon a dissolution of the Partnership, Limited Partners may be liable to the Partnership for an amount necessary to discharge the Partnership's liabilities to all creditors who extended credit or whose claims otherwise arose before the return of capital, but such liability will not exceed the capital so returned with interest.

**Projections (Future Orientated Financial Information)** - The Future Orientated Financial Information (FOFI) contained in this offering memorandum has been prepared using assumptions, including hypotheses, considered reasonable when prepared that reflect the Partnership's planned courses of action for the period covered which are inherently subject to uncertainty and variation depending upon evolving events. Actual results will vary, perhaps materially, from the projected results contained in the Future Orientated Financial Information. There is no representation or warranty that the projections will be realized in whole or in part.

**Securities are speculative** - The Units offered by this Offering must be considered speculative, generally because of the nature of the Partnership's business and the early stage of its development. The Partnership has no proven history of performance, earnings or success. The second mortgage financing to be provided by the Partnership will be advanced to purchaser of the Property which will be a newly incorporated corporation without any material assets.

**Tax matters** - The Canadian federal and provincial income tax treatment of business activities, of real estate investments including financing the construction and development of real property and of limited partnerships has a material effect on the advisability of investing in the Units. (Refer to "Income Tax Consequences" on page 29.) The return on investment in a Unit to a Limited Partner is subject to changes in Canadian federal and provincial income tax laws. There can be no assurance that such tax laws will not be changed in a manner which will alter the tax consequences to a subscriber of acquiring, holding and disposing of a Unit.

A Limited Partner is required to include their share of income from the Partnership in computing their income for income tax purposes for each calendar year. It is possible that a Limited Partner's share of the income of the Partnership will exceed the amount of cash distributions from the Partnership to the Limited Partner in a calendar year.

You should note that no opinion has been obtained in respect of the income tax consequences of an investment in Units.

**Good faith of management** - In assessing the risks and rewards of an investment in Units, potential subscribers should appreciate that they are relying on the good faith and judgment of the directors and officers of the General Partner in administering and managing the business of the Partnership. Although the approval of the Limited Partners is required for certain matters, Limited Partners have no right to take part in the management of the business of the Partnership and the Partnership will be bound by the decisions of the General Partner as provided in the Partnership Agreement. It would be inappropriate for subscribers who are unwilling to rely on the General Partner to this extent to subscribe for Units.

**Conflicts of interest** - The Partnership is or may be subject to various conflicts of interest. The Partnership does not have independent management and will be relying on the General Partner for the management of the Partnership and the services of Hallstone Group Ltd. or its related entities for the servicing, construction and development of the Property and for the day-to-day management and operations of the project financed by the Partnership.

The directors and officers of the General Partner are also directors and officers of other companies and, as such, may have conflicts of interest in allocating management time, services and functions among the Partnership and their other activities. Investment in the Partnership will not carry with it the right for the Partnership or any Limited Partner to invest in any other property or venture of any of the General Partner, the Promoter, the Agent, Hallstone Group Ltd., or their associates or affiliates or to share in any profit therefrom.

Potential conflicts of interest will not be resolved through arm's length negotiations but through the exercise of the General Partner's judgment consistent with its fiduciary responsibility to the Limited Partners.

There has been no independent review on behalf of the Limited Partners of the structure, formation and operation of the Partnership and the material contracts related to the Partnership and to the project. The price of the Units was determined by the General Partner without negotiation with the Agent. The Partnership is a related issuer and connected issuer of the Agent within the meaning of the Securities Act (Ontario).

The agreements and arrangements relating to compensation between the Partnership, the General Partner, and the Agent and its related entities have not been the result of arm's length negotiations, but are believed to be reasonable in relation to the services performed or to be performed.

Allan Grossman is the controlling shareholder of the Agent and is an officer and director of the Agent. Commissions are earned by the Agent, as agent on the sale of Units in the Partnership and the Agent will receive fees under the Investor Services Agreement and will receive 15% of the profit from the project in the same manner as the Partnership. Additionally an affiliate of the Agent will receive a commitment fee in connection with the financing provided by the Partnership and another affiliate of the Agent will receive distributions as a shareholder of the General Partner. Dan Kowalchuk, Thomas Rolfe, Leo Grunwald and Aran Kwinta or their families will be participating directly or indirectly in the distributions received by an affiliate of the Agent as a shareholder of the General Partner. Leo Grunwald is a partner of Grunwald & Co. the accountants for the Partnership after the Closing and is also registered as a salesperson with the Agent, and Aran Kwinta is a lawyer with the law firm Chaitons LLP, legal counsel for the Partnership.

The fact of the business connections between the General Partner and the Agent could be viewed as a conflict of interest. Similarly, the business connection between the Agent and its affiliates with Leo Grunwald, a partner of the accountants for the Partnership, could be viewed as a conflict of interest.

***Lack of separate legal counsel*** - The Partnership's lawyers in connection with this Offering are also counsel to the General Partner and the Agent and its affiliates. The Partnership's accountants Grunwald & Co. are also accountants to the General Partner. No counsel has been appointed to represent the subscribers as a group. Counsel for the Partnership and the General Partner is not acting for the subscribers and has not conducted any investigations or review on behalf of subscribers. Neither the Agent nor its legal counsel has conducted any investigations or review into the General Partner, the Partnership, nor matters disclosed in this Offering Memorandum on behalf of subscribers and therefore no reliance may be placed thereon by you. **You should retain independent counsel to advise you on all matters relevant to this Offering.**

**Risks of Conflicting Interests and Impasse** - The Partnership may finance construction and development of the project together with one or more other lenders on a pari passu basis with each lender receiving its proportionate share of the benefits of the financing. Such financing with another lender could subject the Partnership to risks not otherwise present, including the possibility that the other lender may have economic interests different from the Partnership and that another lender might be in a position to take actions contrary to the interests of the Partnership. In addition, there is a potential risk of impasse on decisions of fundamental importance as one lender might choose to refrain from exercising decisions of fundamental importance.

**Enforcing Rights Against Foreign Entities** - Some or all of the partners of a pari passu lender may be resident or located outside Canada and a substantial portion of their assets may also be located outside Canada. It may not be possible to effect service of process upon such persons in Canada and there may be difficulty in pursuing legal or equitable remedies, and enforcing judgments, against such persons and their assets.

**Non-Completion** - There is a possibility that the project may never be fully constructed and developed, notwithstanding that the first Closing has occurred. Completion of construction and development is also subject to ordinary risks of non-completion faced by the construction industry for reasons beyond the control of the Partnership or the borrower.

**Equity** - The second mortgage financing to be provided by the Partnership to the borrower is likely the entire equity portion of the project financing. The borrower and its principals will have little, if any, investment in the Property, other than their time spent, if the Offering is completed.

**Guarantees** - The commitment letter issued by the Partnership to the borrower requires certain guarantees to be provided by Eran Ostfeld, a principal of the borrower. Although the borrower has provided limited information regarding the net worth of Eran Ostfeld, such information indicates that his assets are primarily illiquid and accordingly, the value of those assets may be difficult to determine with accuracy. There is no assurance that the Partnership will be able to rely upon the guarantees provided by Eran Ostfeld. There is also no certainty that the information provided by the borrower concerning the net worth Eran Ostfeld will not change in a material manner.

## **REPORTING OBLIGATIONS**

The General Partner, or its agent in that behalf, will be responsible for the preparation of unaudited annual financial statements of the Partnership as at the end of each fiscal year of the Partnership. The General Partner has designated Grunwald & Co. as the accountants of the Partnership and the General Partner may from time to time appoint a replacement firm of chartered accountants to act as the accountants as it deems appropriate. The General Partner, or its agent in that behalf, will make a copy of such annual financial statements available to each Limited Partner within 120 days after the end of each fiscal year together with the report, if any, of the accountants on those financial statements. All financial statements shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis. Additionally, the Limited Partners will be provided with quarterly reports as to the financial status of the Partnership. The quarterly information will be prepared in the format of internal management statements, without independent review. The General Partner, or its agent in that behalf, will make a copy of such quarterly reports available to each Limited Partner within 90 days of each quarter year.

## **RESALE RESTRICTIONS**

The Units are subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under the securities legislation.

Unless permitted under the securities legislation, you cannot trade the Units before the date that is 4 months and a day after the date the Partnership becomes a reporting issuer in the Canadian province or territory in which you reside.

As the Partnership does not intend to become a reporting issuer, unless a further exemption is relied upon, such Units may be required to be held for an indefinite period of time.

For purchasers in Manitoba, you must not trade the Units without the prior written consent of the regulator in Manitoba unless:

- (a) the Partnership has filed a prospectus with the regulator in Manitoba with respect to the Units you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the Units for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

## **PURCHASER'S RIGHTS**

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

### **Two day cancellation right**

You can cancel your agreement to purchase these securities. To do so, you just send a notice to us by midnight on the second business day after you sign the agreement to buy the securities.

### **Statutory rights of action in the event of a misrepresentation**

#### **British Columbia and Alberta**

If there is a misrepresentation in this Offering Memorandum, you (as a resident of British Columbia or Alberta) have a statutory right to sue:

- (a) the Partnership to cancel your agreement to buy these securities, or
- (b) the Partnership, every director of the General Partner at the date of this Offering Memorandum, and every person who signed this Offering Memorandum, for damages.

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 they prove that you knew of the misrepresentation when you purchased the securities.

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 you

signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and three years after you signed the agreement to purchase the securities.

### **Manitoba**

If you reside in Manitoba and if there is a misrepresentation in this Offering Memorandum, you have a contractual right to sue the Partnership:

- (a) to cancel your agreement to buy these securities; or
- (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you recover will not exceed the price that you paid for your securities and will not include any part of the damages that the Partnership proves does not represent the depreciation in value of the securities resulting from the misrepresentation. The Partnership has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must begin your actions to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must begin your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.

### **Saskatchewan**

If you reside in Saskatchewan and if there is a misrepresentation in this Offering Memorandum, then you have a statutory right to sue:

- (a) the Partnership to cancel your agreement to buy these securities, or
- (b) for damages against the Partnership, every person who was a promoter or director of the General Partner at the date of this Offering Memorandum, every person who or company that signed this Offering Memorandum, and every person who sold you securities on behalf of the Partnership 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 they prove that you knew of the misrepresentation when you purchased the securities.

In addition, if the Partnership disseminates any advertising or sales literature (as those terms are defined The Securities Act, 1988 (Saskatchewan) (the "Saskatchewan Act") in connection with this offering that contains a misrepresentation at the time of your purchase of the securities, then you have a statutory right to sue:

- (a) the Partnership to cancel your agreement to buy these securities, or
- (b) for damages against the Partnership, every promoter or director of the General Partner at the time the advertising or sales literature was disseminated and every

one who, at the time the advertising or sales literature was disseminated, sells the securities on behalf of the Partnership in the offering with respect to which the advertising or sales literature was disseminated.

This additional right to sue is available to you whether or not you relied on the misrepresentation. The persons whom you have a right to sue will have several defences available to them. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

Where an individual makes a verbal statement to you that contains a misrepresentation relating to the securities and the verbal statement is made either before or contemporaneously with your purchase of the securities, then you have an additional right to sue the individual who made the verbal statement whether or not you relied on the misrepresentation, if it was a misrepresentation at the time of your purchase. The persons whom you have a right to sue will have several defences available to them. In particular, the individual will have a defence if you knew of the misrepresentation when you purchased the securities.

If you purchase the securities from a vendor trading in contravention of the securities laws of Saskatchewan, then you may elect to cancel the contract and to recover all monies or other consideration paid by you to the vendor under the trade.

If the Offering Memorandum was not delivered before you purchased these securities, then you have a statutory right to sue to cancel your agreement to buy these securities or for damages against the Partnership or any dealer who failed to deliver the Offering Memorandum to you before you purchased these securities.

If you intend to rely on any of the foregoing rights, then you must do so within strict time limitations. You must begin your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must begin your action for damages within the earlier of one year after learning of the misrepresentation and 6 years after you signed the agreement to purchase the securities.

## **Ontario**

Pursuant to Section 130.1 of the Securities Act (Ontario), when the Partnership delivers this Offering Memorandum to an investor resident in Ontario to whom Units are sold, the investor has a statutory right of action against the Partnership or any seller of the Units for rescission or damages. The aforesaid right of action is in addition to and without derogation from any other right or remedy available at law or in equity to the purchaser but is subject to certain defences set forth in Section 130.1 of the Securities Act (Ontario). This right of action may be summarized as follows:

In the event that this Offering Memorandum, together with any amendment thereto, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in light of the circumstances in which it was made (a "misrepresentation") and was a misrepresentation on the date of investment, an investor to whom this Offering Memorandum was delivered and who purchased Units offered hereunder, while still the owner of the Units, will be deemed to have relied on such misrepresentation and shall have, subject as hereinafter provided, a right of action against the Partnership or any seller of the Units (such liability being "joint and severable"), exercisable on written notice given to the Partnership no later than 180 days subsequent to the date of investment, in the case of rescission, and no later than the earlier of (i) 180 days after the investor first had knowledge of

the facts giving rise to the cause of action and (ii) three years after the date of the investment, in the case of damages, provided that:

- (a) the Partnership or any seller of the Units shall not be held liable if the investor purchased the Units with knowledge of the misrepresentation;
- (b) in an action for damages, the Partnership or any seller of the Units is not liable for all or any portion of such damages that it proves does not represent the depreciation in value of the Units as a result of the misrepresentation relied upon;
- (c) in no case shall the amount recoverable exceed the price at which the Units were sold to the investor; and
- (d) the right herein conferred is in addition to any other right or remedy available at law or in equity to the investor.

### **Nova Scotia**

If you reside in Nova Scotia and if there is a misrepresentation in this Offering Memorandum or any advertising or sales literature (as defined in the Securities Act (Nova Scotia)) for this Offering, you have a statutory right to sue:

- (a) the Partnership to cancel your agreement to buy these securities, or
- (b) the Partnership, every director of the General Partner at the date of this Offering Memorandum and every person who signed this Offering Memorandum for damage.

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 they prove that you knew of the misrepresentation when you purchased the securities.

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 or commence your actions for damages within 120 days after you purchased the Units.

### **Newfoundland**

If you reside in Newfoundland and if there is a misrepresentation in this Offering Memorandum, you have a contractual right to sue the Partnership:

- (a) to cancel your agreement to buy these securities, or
- (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that the Partnership proves does not represent the depreciation in value of the securities resulting from the misrepresentation. The Partnership has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

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 you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and three years after you signed the agreement to purchase the securities.

### **Prince Edward Island**

If you reside in Prince Edward Island and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Partnership to cancel your agreement to buy these securities, or
- (b) for damages against the Partnership, every director of the General Partner at the date of this Offering Memorandum, and every 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.

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 you purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and three years after you purchase the securities.

### **General**

The securities laws of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland, Nova Scotia and Prince Edward Island are complex. Reference should be made to the full text of the provisions summarized above relating to contractual and statutory rights of action. Subscribers should consult their own legal advisers with respect to their rights and the remedies available to them. The rights discussed above are in addition to and without derogation from any other rights or remedies which subscribers may have at law.

### **FINANCIAL STATEMENTS OF THE LIMITED PARTNERSHIP AND THE GENERAL PARTNER**

The following financial statements are attached:

- (a) Financial Projection for the Partnership consisting of a projected Balance Sheet, Statement of Limited Partners Capital, Statement of Income and Statement of Cash Flow for First Thirty Months of Operations (assuming construction and development of the project set out in the current plan).
- (b) Balance Sheet for the General Partner as at October 15, 2007.
- (c) Balance Sheet for the Partnership as at October 15, 2007.

DATED: October 15, 2007

This Offering Memorandum does not contain a misrepresentation.

\_\_\_\_\_  
Allan Grossman, President

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Dan Kowalchuk, Chief Financial Officer

**On behalf of all the directors of ASG Drewry GP Limited**

\_\_\_\_\_  
Dan Kowalchuk, Director

\_\_\_\_\_  
Allan Grossman, Director

**On behalf of ASG Financial Holdings Inc., a Promoter**

Per: \_\_\_\_\_  
Allan Grossman