REIF - Commercial Real Estate Backed Loans
exec summary

REIF	3,000,000 Dai	5,000 Dai	5.0%	Dec 15, 2021
REIF DROP (REIF-DROP) and TIN (REIF-TIN) Tokens	target launch size	minimum investment	DROP APR[1]	Launching as evergreen pool with daily NAV

Summary

REIF Financial Investments Inc. (“REIF” or the “Sponsor”) is an asset management company focusing on acquiring commercial real estate assets from established asset originators. In this offering, REIF is pleased to offer prospective investors the opportunity to gain exposure to commercial real estate backed loans. The first loans will be originated by Forge & Foster Partners Inc. (“F&F” or the “First Asset Originator”) and PB Financial Inc. (“PB” or the “Second Asset Originator”) which shall be subsequently purchased by REIF Pool LLC. (“REIF Pool” or the “Issuer”), a Delaware limited liability company, and will offer for sale to investors tokens, as described below, corresponding to certain payment obligations owed by REIF Pool.

The Issuer will issue two tranches of ERC-20 tokens: REIF DROP Tokens with the token ticker symbol REIF-DROP (“DROP” or the “DROP Token(s)”) and REIF TIN Tokens with the ticker symbol REIF-TIN (“TIN” or the “TIN Token(s)”) which will be offered for sale to investors on the terms described herein and in the REIF DROP and TIN Subscription Agreements provided to prospective investors.

The DROP Token will be a senior token that generates a fixed rate of return when deployed in financings. The TIN Token will be a subordinated token that will be subject to the first losses up to their full value, thereby acting as a buffer against losses to investors in the DROP Tokens. The Issuer will target a 5.0% APR for DROP (the “DROP APR”)[1] and the ratio of DROP to TIN will have a minimum ratio of 10% TIN.

The TIN Tokens will also be purchased by REIF to demonstrate their confidence in the asset pool. The Issuer will use the Centrifuge Tinlake blockchain protocol system, known as the Tinlake Protocol, to mint the DROP Tokens and TIN Tokens. Issuer’s use of the Tinlake Protocol will be subject to the terms and conditions of that certain Tinlake Protocol Service Agreement, dated as of October 12, 2021 (the “TPSA”), between the Issuer and Centrifuge, Inc.

Warning Regarding the Use of Forward-Looking Statements

[1]Drop will only generate a fixed return (the “DROP APR”) while being deployed in actual financing. The IRR will be less than the DROP APR caused by the cash drag of Dai being invested in the pool but not being deployed in actual financing.

This Executive Summary contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this Executive Summary regarding investments, debt instruments, investment companies, investment strategies, future operations, future financial positions, future revenues, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements.

The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements may include, among other things, statements about expected rates of return and interest rates, the attractiveness of the Tinlake Protocol and the Asset Originator’s products, the Asset Originator or the Issuer’s financial performance and operations; and general economic developments which may affect the Issuer, the Asset Originator or the asset pool.

There can be no assurance that actual events will correspond with the above forward-looking statements and should in no event be considered a guarantee that those future events, activities, occurrences or performances will in fact happen.

The information in this Executive Summary concerning the prior experience of the Initial Asset Originator and the Issuer is not necessarily indicative of the results to be expected in the future.

Summary of Terms

Originator & Issuer Details	
Issuer	REIF Pool LLC
First Asset Originator	Forge & Foster Investment Management Inc.
Second Asset Originator	PB Financial Inc.
Years In Operation	Issuer was recently created for this offering, F&F has been in operation for 10+ years and PB has been in operation for 5+ years.

Asset Details	
Payment Obligation	1st position bridge capital and 2nd position construction/value-add financing on “Industrial and “Commercial” income-producing real estate properties.
Average Loan Size	$500,000 USD
Time Outstanding	12 months
Asset Repayment Premium	10% per year
Loan to Value	1st position product: Not to exceed 70% of 3rd party appraised value 2nd position product: Not to exceed 80% of 3rd party appraised value

Type of Advance	1st position bridge capital and 2nd position construction and value add real estate loans.

Offering Details	
Special Purpose Vehicle	REIF Pool LLC
Target Launch Size	3,000,000 DAI
Token Investment	Senior Tranche: REIF DROP Token (token ticker symbol "REIF-DROP") Junior Tranche: REIF TIN Token (token ticker symbol "REIF-TIN")
Launch Date	December 15th, 2021
Term	12 months, with a 12-month refinance option.
Seniority	Senior if REIF-DROP is purchased. Junior if REIF-TIN is purchased.
Distribution Waterfall	Distributions will be made pro-rata to REIF-DROP investors until fully repaid (principal plus interest); thereafter all further distributions will be made pro rata to REIF-TIN.

Distribution Waterfall	
First Loss % / TIN Ratio %	10%
Security Structure	506(c) offering under Regulation D of the U.S. Securities Act of 1933.
Investor Tax Documents	1099-MISC
Investors	Available to US and non-US persons; US persons must be verified "accredited investors".

About the First Asset Originator

FORGE & FOSTER
INVESTMENT MANAGEMENT

Forge and Foster Investment Management Inc. (F&F)

F&F was established in 2016 by brothers Mark Accardi and Joe Accardi. After 9 years of investing successfully on their own in residential and commercial real estate, they decided to revise their business model and introduce investor capital to their investments. This was in large part due to Mark's six-year career as a real estate investment analyst/associate with the Canada Pension Plan Investment Board ("CPPIB"), where he learned how the leading investment firms around the world are structured.

Mark's former director from CPPIB, Wenzel Hoberg, joined F&F as its advisory board chairman in 2018 after having successfully invested with the company since 2016. He also recently joined as a partner. Wenzel has over 20 years of real estate investment experience and has held a number of senior executive roles, including the Managing Director and Head of Real Estate for CPPIB's European office and CEO of Triuva, a leading European investment management company with €10 billion assets under management in 40 funds and 200 employees across 15 offices in Europe.

F&F is based in Hamilton, where Mark and Joe saw a great opportunity in 2008. Eventually the brothers relocated permanently from Toronto, Canada. The company has been investing almost exclusively in Hamilton, Canada along with some neighbouring secondary markets including St. Catharines, Cambridge and Brantford. Its primary strategy is to buy income producing assets where there is upside in the rents and which are located in attractive areas that have future development potential. F&F currently has $250 million CAD in assets under management of industrial and commercial real estate.

The following is a list of Forge & Foster's realized and unrealized real estate development projects. Past results do not guarantee future returns.

REALIZED INVESTMENTS

Status	Investment	Original Start Date	Expected Exit Date	Investor Target Multiple	Investor Actual Multiple	Investor Expected IRR
Realized	1 Head St	Oct 2020	Sep 2021	2.4x	2.1x	122%
	1 West Ave S	Sep 2017	Aug 2021	1.9x	1.4x	9%
	1083 Main St E	Jun 2016	Jun 2018	1.6x	1.5x	22%
	130 Wellington St S	Mar 2018	Dec 2020	2.2x	1.8x	23%
	1539 Barton St E	Aug 2016	Aug 2017	1.8x	1.5x	49%
	205 Locke St S	Jun 2017	Apr 2021	1.8x	1.3x	6%
	21 John St S	Aug 2017	Jun 2021	2.2x	1.1x	1%
	215-217 King St E	Feb 2016	Apr 2019	1.7x	1.8x	20%
	225 John St S	Aug 2015	Aug 2019	2.0x	2.4x	24%
	232 Governors Rd	May 2017	Jul 2021	2.0x	1.5x	11%
	249 King St E	Dec 2016	Apr 2018	2.0x	1.7x	48%
	370 Main St E	Feb 2017	May 2019	2.0x	1.7x	26%
	498 Eagle St - Phase 1	Feb 2018	Oct 2020	2.4x	2.2x	34%
	63 Wharfe St	Sep 2017	Aug 2020	2.1x	1.9x	24%
	635 Greenhill Ave	Nov 2016	Sep 2018	2.3x	2.0x	45%
	69 John St S	Nov 2016	Oct 2018	2.0x	2.7x	67%
	984 Barton St E	Nov 2018	Jan 2021	2.0x	1.8x	31%
Total		**May 2017**	**Jan 2020**	**2.0x**	**1.8x**	**33%**

UNREALIZED INVESTMENTS

Status	Investment	Original Start Date	Expected Exit Date	Investor Target Multiple	Investor Actual Multiple	Investor Expected IRR
Unrealized	104 Frid St	Dec 2019	Jun 2022	2.1x	2.1x	33%
	111 Sherwood Dr	Apr 2019	Nov 2021	2.1x	2.1x	33%
	14-20 Queen St	Sep 2017	Aug 2021	2.2x	1.6x	13%
	140 Caroline St S	Feb 2018	Dec 2021	1.9x	1.9x	18%
	144-150 Chatham St	Jan 2020	Jun 2022	2.1x	2.1x	35%
	193 James St N	Nov 2019	Oct 2023	2.1x	2.1x	20%
	20 Park Hill Rd E	Feb 2021	Feb 2024	2.5x	2.8x	40%
	243 Queen St	Mar 2021	Mar 2024	2.0x	2.0x	26%
	29 Harriet St	Jun 2021	May 2025	2.0x	2.0x	19%
	29 Queenston St	Jul 2016	Nov 2021	1.9x	1.6x	9%
	3 Yeo St	Mar 2021	Mar 2024	2.6x	2.6x	37%
	315 Brock Rd	Sep 2020	Aug 2023	2.1x	2.1x	29%
	32 Hess St S	Sep 2019	Dec 2021	1.9x	1.9x	33%
	350-400 Wellington St N	Sep 2021	Aug 2025	2.0x	2.0x	19%
	360-410 Lewis Rd	Aug 2021	Jul 2025	2.0x	2.0x	19%
	45-75 Frid St	Dec 2019	Mar 2023	2.0x	2.0x	23%
	498 Eagle St - Phase 2	Oct 2020	Sep 2024	2.4x	2.4x	25%
	55 Oakdale Ave - Phase 1	Sep 2016	Oct 2021	2.0x	4.5x	34%
	55 Oakdale Ave - Phase 2	Oct 2021	Oct 2024	2.2x	2.2x	30%
	60 Head St	Jul 2021	Jul 2024	2.0x	2.0x	26%
	64-68 Hatt St	Nov 2018	Dec 2021	2.1x	1.9x	23%
	66 King St E	Mar 2020	Mar 2024	2.5x	2.5x	25%
	70 Frid St	May 2019	Jun 2022	2.1x	2.1x	27%
	Bluewater Village	Jul 2020	Feb 2024	2.2x	2.2x	24%
	Jordan Valley	Apr 2021	Mar 2024	2.4x	2.4x	34%
	Pilgrim's Rest	May 2021	Apr 2025	2.1x	2.1x	21%
	Summer Place	May 2021	Apr 2024	2.2x	2.2x	31%
Total		**Feb 2020**	**Jul 2023**	**2.1x**	**2.2x**	**26%**

Sample Properties

193 James Street North, Hamilton, Ontario

104 Frid Street, Hamilton, Ontario

111 Sherwood Drive, Brantford, Ontario

20 Park Hill Road East, Cambridge, Ontario

67 Frid Street, Hamilton, Ontario

About the Issuer

REIF Pool is an investment pool created in partnership by Corl Financial Technologies Inc., an existing asset originator for a pool on Centrifuge, and will be operated by Ben Ames and Derek Manuge.

Asset Pool Description

The First Asset Originator will be financing construction of value-add projects on REIF's platform. The Issuer will provide financing to properties under management by Forge & Foster Investment Management Inc., with an average loan amount of $10 million CAD for 1st position financing and $750,000 CAD for 2nd position financing. The position indicates the seniority in the capital structure with 1st position being the most senior. The property types are classified into "Commercial" and "Industrial". The maximum Loan to Value leverage to be considered for financing is to be 70% of asset value for the 1st position financing and 80% of asset value for the 2nd position financing. With a maximum loan to project cost of 85%. Forge & Foster has provided the right but not the obligation to the Issuer to acquire $36M in commercial real estate assets.

Upon repayment by the Borrowers, the Issuer will distribute any capital requested for withdrawals and then will redeploy the remainder into new loan requests. REIF Pool will be open for investment and withdrawal on a regular, annual basis. The total value of the pool is expected to grow.

DROP investors will not receive any payments of principal or interest in respect of any DROP tokens until such time as the Investor elects to redeem such DROP tokens. Until such redemption, all amounts payable to the Investor in connection with the DROP tokens will be either (i) held in cash by the Issuer, free and clear of any liens or encumbrances, or (ii) deployed by the Issuer to fund the generation of new Underlying Assets. DROP tokens will generate a fixed 5.5% DROP APR and will be senior in right of repayment and redemption to TIN Tokens, which will represent at least 10% of the pool. REIF have agreed to invest among other investors in the TIN tranche to demonstrate their confidence in the pool. The offering will be made available to accredited US investors and non-US investors through a private placement under Regulation D and Regulation S of the US Securities Act 1933. The Issuer intends to utilize Section 506 (c), which allows for general solicitation of the offering. Each US investor will be required to have their status as an “accredited investor”.

Bridge Capital

Proceeds of this offering will be used to finance commercial and industrial real estate projects. 1st position financing today is made up of either private capital at high interest rates - 6-12% APR or institutional financing at 3-4% APR. There are very few options available to asset managers for bridging commercial assets to institutional financing. There is a tremendous market available for providing capital to properties that have the ability to qualify for institutional financing, but require time and resources to manage the property towards qualification.

Value-Add Loans

Proceeds of this offering will be used to finance commercial value-add projects. Value-add loans provide capital to go towards renovations, development, or leasehold improvements of commercial and industrial real estate properties. The only options available today are relationship lenders who write ‘blind cheques’ relying on their relationship with the asset originator. However, the cost to this capital is quite high - 7-15% APR.

Loan servicing will include monitoring the deployment of the capital, monitoring the advancement of the project, managing the draw schedule (if applicable) and collection of the principal and interest payments. At loan maturity or liquidation event, the loan is paid off in full (principal and/or any outstanding interest) either through a refinance of the asset or an investor takeout.

Skin in the Game

There are numerous ways in which REIF will share risk and align incentives to ensure all parties are economically aligned to preserve and grow capital in the REIF Pool.

Firstly, REIF, the Sponsor, expects to launch the pool with 2 million Dai of committed private capital as a blended investment in the DROP and TIN. REIF also expects to make additional purchases of DROP and/or TIN to grow the size of the pool over time.

Secondly, F&F, the First Asset Originator, is committed to investing alongside the REIF Pool in all of the commercial real estate properties that F&F offers to the REIF Pool to finance. The anticipated F&F investment is a minimum 20% of the equity of each property. This investment is considered first-loss capital and will absorb any losses to protect the debt assets in the REIF Pool. This further aligns the incentives of F&F with the REIF Pool.
Furthermore, REIF and its affiliates are committed to acquiring a material portion of the senior and/or junior tranche of the pool offered by the Issuer, the specific proportion and amounts have still yet to be determined.

Due Diligence

The Issuer's Management Team has 10+ years in the commercial real estate industry. The individual assets are selected based on a number of factors, notably:

1) Property Value. The Issuer will rely on a 3rd party verification of property value.
2) Loan to Value (LTV). Not to exceed 70% of the asset value for 1st position financing or 80% of the asset value for 2nd position financing.
3) Use of Funds. The Value-Add loans are only for activities that directly increase the value of the property. This restriction allows for take out financing at a higher value once a project is completed and allows the Issuer to monitor the deployment of funds effectively.
4) Entity in Good Standing. Issuer to ensure current debts and obligations are in good standing and verification of no liens against the asset.
5) Corporate Docs & Financials. Issuer ensures the ownership has sufficient financials to service the Value-Add Loan.
6) Insurance. Adequate insurance for the project and insurance of the existing asset is required. Issuer is outlined as a Loss Payee on the file.
7) Covenants. The Borrower shall not further encumber, charge or mortgage the asset without the Issuer's written approval.
8) Property Income. The Issuer will underwrite the existing income of the property and future income of the property to ensure 1. the originator can service the mortgage payments and 2. that the future income will yield a high enough value upon completion to pay out the Value-Add Loan.

Security

The following security shall be in a form and content satisfactory to the Issuer:

1. First or second charge over the property for the full amount of the loan and all the interest costs and fees payable under the Loan.
2. A first or second in priority general assignment of the Borrower's interest in all present and future leases and rent payable for the Property.
3. A first or second in priority General Security Agreement on the Borrower's chattels, equipment, assets, and undertaking with respect to the Property.

Default Procedures

The Issuer is responsible for collection and handling of all default procedures and collections. Default procedure is outlined as follows:

1) Notice of default is sent to the borrower. Limit of non-payment at two (2) times throughout the duration of the loan term.
2) Borrower has 5 business days to either:
   - Provide payment in full
   - Construct and receive Issuer Approval of a loan workout program. Any defaults of the loan workout program immediately trigger 3).
3) In the event the borrower is unable to make payments on the existing agreement or a loan workout program, a foreclosure process is initiated and will involve a power of sale. Power of sale procedure is as follows:
   - Notice of power of sale is served. Redemption period of 37 days commences.
   - After 37 days, issued a statement of claim for the outstanding debt and possession of the property.

- Over the next 20 days, the owner has the option to file a statement of defence. Following that 20 day period, the Ontario Provincial Courts shall grant the Issuer with the ability to list the property for sale to recollect on the outstanding debt and outstanding fees.
- The property will be listed for sale by a reputable real estate brokerage with significant resources and understanding of the asset class.
- The sale process can take between 2-10 months and the borrower has the ability to pay out the obligations and rectify the obligation at any time.

ANNEX A
INVESTMENT RISK FACTORS

In addition to those risk factors provided in the Subscription Agreement, Annex A to this Executive Summary sets forth additional risk factors related to an investment in DROP or TIN Tokens. Please carefully read the risks described in Annex A, and the risks described in the Subscription Agreement before investing in DROP or TIN Tokens.

Terms used in this Annex A but not defined in the Executive Summary will have the meaning set forth for such terms in the Subscription Agreement provided to potential investors in connection with their prospective purchase of DROP or TIN Tokens.

Tax treatment of the REIF DROP and TIN Tokens

For purposes of this offering, a full analysis of the classification and likely treatment of the DROP and TIN Tokens for tax purposes has not been performed. Investors are advised to consult with their independent tax advisers regarding the tax consequences of investing in the DROP and TIN Tokens. Any anticipated United States federal or state income tax benefits may not be available and, further, may be adversely affected through adoption of new laws or regulations or amendments to existing laws or regulations. Neither the Issuer, REIF, nor Centrifuge is providing any warranty or assurance regarding the ultimate availability of any tax benefits to the Investor by reason of the purchase.

Issuer’s business operations and financial condition is susceptible to fluctuations in general economic conditions; Effect of COVID-19 or another global event

Economic downturns may negatively affect the real estate industry, which in turn may have a material adverse impact on the Issuer’s business operations and financial condition, including the Issuer’s ability to generate or acquire Underlying Assets, or to collect payments on the Underlying Assets.

The COVID-19 pandemic has contributed to a significant decline in business operations in many industries. In the real estate industry, the pandemic has led many companies to pause their operations temporarily. Such events may affect REIF’s business operations. Other pandemics, wars or other global events may cause companies to go out of business, stop operations or material change their agreement terms, thus affecting how REIF is able to conduct business and potentially affecting its ability to service and collect on the Underlying Assets.

In addition, laws, orders, public guidance, and other measures taken by governments worldwide in response to the COVID-19 pandemic are unpredictable, and continued developments in response to changing conditions are likely. Laws, regulations, and orders which may adversely affect the operations of businesses in general may also adversely affect the businesses of the Issuer and the real estate industry generally. At this time, such impacts are difficult to predict in nature, scope and duration, and may continue to change as the COVID-19 pandemic continues or another global event ensues.

No federal or state authority regulates the Issuer

The Issuer is not directly supervised or regulated by any federal or state authority with respect to the activities contemplated in the Subscription Agreement.

General real estate risks

Each of REIF, the Issuer, and holders of DROP Tokens and TIN Tokens will be subject to the risks that generally relate to an investment in real estate. Real estate historically has experienced significant fluctuations and cycles in performance that may result in reductions in the value of properties corresponding to the Underlying Assets, which may affect the collateralization of the Underlying Assets as well as borrowers' ability to make payments on the Underlying Assets. The performance and value of the Underlying Assets will be subject to many factors beyond the control of the Issuer or REIF.

The ultimate performance and value of an Underlying Asset will depend upon, in large part, the applicable borrower's ability to manage and resell such property so that it produces a sufficient return to pay the interest and principal due in respect of the corresponding Underlying Asset. The value of the Underlying Assets may be adversely affected by: changes in national or local economic conditions; changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics, including, but not limited to, changes in the supply of and demand for competing properties within a particular local property market; changes in interest rates and the credit markets which may affect the ability to finance, and the value of, investments; changes in real estate tax rates and other operating expenses; changes in governmental rules and fiscal policies, civil unrest, acts of God, including pandemics, earthquakes, hurricanes, and other natural disasters, acts of war, or terrorism, which may decrease the availability of or increase the cost of insurance or result in uninsured losses; changes in governmental rules and fiscal policies which may result in adverse tax consequences, unforeseen increases in operating expenses generally; decreases in consumer confidence; government taking of properties by eminent domain; various uninsured or uninsurable risks; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws; and other factors that are beyond the control of REIF or the Issuer, or the control of the borrowers.

Any of the foregoing factors, as well as a variety of other factors, could adversely impact the return on and the value of the Underlying Assets, which could in turn adversely impact the Issuer's ability to make payments in respect of redeemed DROP Tokens and TIN Tokens.

Borrower default risk

Borrowers may (i) be subject to legal proceedings by their partners, contractors, suppliers or other third parties which may affect their ability to complete planned upgrades to a property or to sell such property, (ii) be unable to finish planned construction on a property for a variety of reasons which may or may not be foreseeable, (iii) be unable to resell a property, or to realize the anticipated resale price for a property, (iv) be file for bankruptcy, or be subject to involuntary bankruptcy or insolvency proceedings, or (v) be subject to a variety of other events or circumstances which delay or prevent the successful completion of construction or impair the borrower's ability to repay in full all interest and principal due and owing in respect of a loan. As a result, despite due diligence conducted by REIF for loans originated through its platform, there can be no assurance that any borrower will pay in full all interest and principal due and owing in respect of any loans to which such borrower is a party.

The Issuer may not recoup the full value of an Underlying Asset in foreclosure

The Underlying Assets are intended to be secured by first priority liens on the corresponding property. In the event that a borrower defaults on an Underlying Asset, the Issuer may, in its sole discretion, elect to exercise its security interest and foreclose on the corresponding property. Investors in the DROP Tokens and TIN Tokens will have no ability to direct or control the Issuer's or REIF's loan servicing or collections practices, nor will investors have any right or authority to direct or control any foreclosure proceedings initiated by the Issuer or by REIF.

There can be no assurance that, in the event that the Issuer or REIF initiates foreclosure proceedings against a defaulting borrower, that such proceedings will be successful, or, in the event that such proceedings are successful, that the Issuer or REIF will be able to successfully liquidate the applicable property and recoup the full amount outstanding in respect of the Underlying Asset. The foreclosure process varies from jurisdiction to jurisdiction and can be lengthy and expensive. Borrowers may resist foreclosure actions by asserting claims, counterclaims, and defenses against the Issuer or REIF, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. During the foreclosure proceedings, a Borrower may have the ability to file for bankruptcy or its equivalent, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation may create a negative public image of the property corresponding to the defaulted Underlying Asset and may result in difficulty liquidating the property. The value of the collateral property could also be negatively impacted if a defaulting borrower were to damage the property, negligently or intentionally, while still in possession. Even if foreclosure proceedings are successful, and the Issuer takes possession of a property corresponding to a defaulted Underlying Asset, there can be no assurance that the Issuer will be able to resell such property for an amount sufficient to recoup the full amount owing to the Issuer in respect of the corresponding Underlying Asset. Additionally, the ownership, management and liquidation of properties may be costly, and may substantially reduce the amount of funds available to the Issuer to make payments in respect of redeemed TIN Tokens and DROP Tokens.

In certain circumstances, the Issuer may lose priority of its lien to mechanics or materialmen's liens, whether by acts of Borrowers or in accordance with applicable law, which may reduce the total amount that the Issuer is able to recover in respect of an Underlying Asset in the event of a default. In such event, the Issuer may elect, in its sole discretion, to pursue a deficiency judgment against the applicable borrower.

The value of the collateral securing the Underlying Assets may be affected by general or local economic conditions, property values, interest rates, environmental factors, including without limitation environmental contamination, real estate tax rates, applicable laws and governmental policies, acts of God, casualties for which insurance is not available or obtainable, and a variety of other factors beyond the Issuer's or REIF's control. Any diminution in the value of a property securing an Underlying Asset may impair the Issuer's ability to recoup any amount owing and unpaid in respect of the corresponding Underlying Asset in the event of a default by the applicable borrower thereon.

Risk of lack of knowledge in certain geographic markets

REIF facilitates the origination of loans to borrowers in a wide range of geographic regions. Each real estate market has nuances and factors that affect property values, marketability, desirability and demand that may not be easily understood by persons not familiar with such a market. Although REIF and the Issuer can mitigate this risk by vetting asset originator historical data through their underwriting process, there can be no assurance that loans to borrowers across all geographic regions will perform as expected.

Environmental risks

The discovery of environmental contamination on a property corresponding to an underlying Asset could substantially affect the value of such property and the applicable borrower's ability to resell the property and repay the corresponding Underlying Asset, and could trigger a legal obligation by the property owner to remediate such environmental contamination. Under applicable law, failure by the property owner to perform required environmental remediation may give rise to a lien on the property in respect of remediation costs, which, in some cases, may take priority over the Issuer's lien securing the corresponding Underlying Asset.

Currency risks

Currency risk arises from financial instruments that are denominated in a currency other than the U.S. dollar, which is REIF Pool's functional currency. The REIF Pool is exposed to the risk that the value of financial instruments denominated in other currencies will fluctuate due to changes in exchange rates. Currency forward contracts and options may be utilized by REIF Pool to hedge against currency fluctuations. REIF Pool's exposure to currency risk relates primarily to cash and investments which are denominated in foreign currencies, primarily Canadian dollars.

Lack of geographic diversification

REIF may facilitate the origination of loans wherever allowed by state law and may adjust its target lending areas at any time, without prior notice. As a result, the Underlying Assets owned by the Issuer may always not be geographically diversified. In the event of the occurrence of a natural disaster, act of God, economic event or condition, or any other event or circumstance affecting Underlying Assets or corresponding properties in a particular geographic region, a large proportion of the pool of Underlying Assets owned by the Issuer may be adversely affected.