# PORTLAND PRIVATE INCOME FUND

## Amendment No. 3 dated February 18, 2020 to the Offering Memorandum dated June 8, 2018

*The securities referred to in the confidential offering memorandum of the Funds dated June 8, 2018 as amended by this Amendment (together, the "**Offering Memorandum**"), are being offered on a private placement basis. The Offering Memorandum constitutes an offering of securities only in those jurisdictions and to those persons where, and to whom, they may be lawfully offered for sale. The Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities. The securities offered under the Offering Memorandum qualify for distribution in the jurisdictions in which they are offered pursuant to statutory exemptions under securities legislation in those jurisdictions.*

*The Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this offering. By their acceptance of the Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisers, the Offering Memorandum or any information contained therein. No person has been authorized to give any information or to make any representation not contained in the Offering Memorandum. Any such information or representation which is given or received must not be relied upon.*

NO SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY HAS ASSESSED THE MERITS OF THE SECURITIES OR REVIEWED THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THIS INVESTMENT HAS RISKS. SEE THE SECTION OF THE OFFERING MEMORANDUM CALLED RISK FACTORS.

The Offering Memorandum dated June 8, 2018 as amended June 3, 2019 and November 19, 2019 (the "**Offering Memorandum**") is hereby amended to reflect the dismissal on January 6, 2020 of the legal claim against the Fund as disclosed in Amendment No. 1 dated June 1, 2019 to the Offering Memorandum ("Amendment No. 1").

Except as outlined below, the Offering Memorandum remains unchanged. The Offering Memorandum must be read subject to the amendment described below. All defined terms used herein have the meanings given to those terms in the Offering Memorandum.

The heading "Legal Claim" and the paragraph under that heading on page 2 of Amendment No. 1 are deleted.

***What are Your Legal Rights?***

Securities legislation in certain provinces and territories of Canada provides purchasers, or requires purchasers be provided with, a right to cancel their agreement purchase Units of the Fund or to sue for damages if there is a misrepresentation in this Offering Memorandum. See "Statutory Rights of Action and Rescission" in the Offering Memorandum.


# PORTLAND PRIVATE INCOME FUND

## Amendment No. 2 dated November 19, 2019 to the Offering Memorandum dated June 8, 2018, as amended June 3, 2019

*The securities referred to in the confidential offering memorandum of the Funds dated June 8, 2018 as amended June 3, 2019 and as amended by this Amendment (together, the "**Offering Memorandum**"), are being offered on a private placement basis. The Offering Memorandum constitutes an offering of securities only in those jurisdictions and to those persons where, and to whom, they may be lawfully offered for sale. The Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities. The securities offered under the Offering Memorandum qualify for distribution in the jurisdictions in which they are offered pursuant to statutory exemptions under securities legislation in those jurisdictions.*

*The Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this offering. By their acceptance of the Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisers, the Offering Memorandum or any information contained therein. No person has been authorized to give any information or to make any representation not contained in the Offering Memorandum. Any such information or representation which is given or received must not be relied upon.*

NO SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY HAS ASSESSED THE MERITS OF THE SECURITIES OR REVIEWED THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THIS INVESTMENT HAS RISKS. SEE THE SECTION OF THE OFFERING MEMORANDUM CALLED RISK FACTORS.

The Offering Memorandum dated June 8, 2018, as amended June 3, 2019 (the "**Offering Memorandum**") of Portland Private Income Fund is hereby amended in the manner described below to reflect the change of the Units of the Fund available for purchase in both Canadian and U.S. dollars.

Except as outlined above, the Offering Memorandum remains unchanged. The Offering Memorandum must be read subject to the amendment described above. All defined terms used herein have the meanings given to those terms in the Offering Memorandum.

**The Offering**

The following paragraph is added as the new last paragraph under the heading "Minimum Subscription Amount" on page 3:

> "Units of the Fund are available for purchase in both Canadian and U.S. dollars. See "*Subscriptions – U.S. Dollar Purchase Option"."*

**Table of Contents**

The Table of Contents has been amended to add reference to a new section after the section titled "*Subscriptions - Subscription Procedure*" and before the section titled "*Subscriptions – Pre-authorized Chequing Plan*" titled "*Subscriptions – U.S. Dollar Purchase Option*".

**Subscriptions**

The below is added as a new section before the section titled *"Subscriptions - Pre-authorized Chequing Plan"* on page 30:

> "**U.S. Dollar Purchase Option**
>
> Units of the Fund are available for purchase in both Canadian and U.S. dollars. For purchase in U.S. dollars, the NAV per Unit is computed by converting the NAV per Unit in Canadian dollars to U.S. dollars based on the exchange rate used to calculate the NAV per Unit. For Units purchased in U.S. dollars, re-designations will be processed in U.S. dollars and redemption proceeds and distributions will be paid in U.S. dollars.
>
> The ability to purchase Units of the Fund in U.S. dollars is offered as a convenience for investors who wish to invest using U.S. dollars. Purchasing Units in U.S. dollars will not affect the investment return of such Units and does not act as a hedge or protect losses caused by changes in the exchange rate between the Canadian and U.S. dollar."

## Distributions

The below paragraph is added after the third paragraph under the heading "Distributions" on page 32:

> "For Units purchased in U.S. dollars, the distribution amounts are computed by converting the distribution amount in Canadian dollars to U.S. dollars based on the exchange rate used to calculate the Net Asset Value per Unit."

## Canadian Income Tax Considerations and Consequences

The below paragraph is added after the last paragraph under the sub-heading "*Canadian Income Tax Consideration and Consequences - Taxation of Investors*" on page 48:

> "If a Unitholder purchased and redeemed Units in U.S. dollars, the Unitholder must calculate his, her or its gains or losses based on the Canadian dollar value of his, her or its Units when they were purchased and when they were redeemed. In addition, although distributions on such Units were made in U.S. dollars, they must be reported in Canadian dollars for Canadian tax purposes."

### *What are Your Legal Rights?*

Securities legislation in certain provinces and territories of Canada provides purchasers, or requires purchasers be provided with, a right to cancel their agreement to purchase Units of the Fund or to sue for damages if there is a misrepresentation in this Offering Memorandum. See "Statutory Rights of Action and Rescission" in the Offering Memorandum.

# PORTLAND PRIVATE INCOME FUND

## Amendment No. 1 dated June 3, 2019 to the Offering Memorandum dated June 8, 2018

*The securities referred to in the confidential offering memorandum of the Funds dated June 8, 2018 as amended by this Amendment (together, the "**Offering Memorandum**"), are being offered on a private placement basis. The Offering Memorandum constitutes an offering of securities only in those jurisdictions and to those persons where, and to whom, they may be lawfully offered for sale. The Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities. The securities offered under the Offering Memorandum qualify for distribution in the jurisdictions in which they are offered pursuant to statutory exemptions under securities legislation in those jurisdictions.*

*The Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this offering. By their acceptance of the Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisers, the Offering Memorandum or any information contained therein. No person has been authorized to give any information or to make any representation not contained in the Offering Memorandum. Any such information or representation which is given or received must not be relied upon.*

NO SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY HAS ASSESSED THE MERITS OF THE SECURITIES OR REVIEWED THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THIS INVESTMENT HAS RISKS. SEE THE SECTION OF THE OFFERING MEMORANDUM CALLED RISK FACTORS.

The Offering Memorandum dated June 8, 2018 (the "**Offering Memorandum**") is hereby amended to reflect a legal claim against the Fund.

Except as outlined below, the Offering Memorandum remains unchanged. The Offering Memorandum must be read subject to the amendment described below. All defined terms used herein have the meanings given to those terms in the Offering Memorandum.

## Legal Claim

The Partnership is currently invested in (and has commitments to invest in) Crown Capital Power Limited Partnership (the "**Crown Capital Power LP**"). The Crown Capital Power LP is invested in, and intends to invest in, several corporations that are in the business of the installation, operation and maintenance of distributed generation systems ("**Investee Companies**") for the purpose of selling electrical and thermal energy to end users. In May 2019, Crown Capital and the Crown Capital Power LP brought an application against one of its Investee Companies, its subsidiaries and certain of its executives (the "**OOM Group**") alleging oppressive conduct and requesting, among other things, an order for damages, punitive damages and the appointment of a receiver over the OOM Group's operations. In May 2019, the OOM Group filed a counter application against the Crown Capital Power LP, Crown Capital and the Fund, among others, claiming damages and punitive damages, along with other remedies. As neither the Fund nor the Manager has had any direct dealings with the OOM Group, the Manager is of the view that there is no basis upon which a claim can be made by the OOM Group against the Fund. The Manager intends to seek an order to have the claims against the Fund in the counter application stayed or dismissed.

### *What are Your Legal Rights?*

Securities legislation in certain provinces and territories of Canada provides purchasers, or requires purchasers be provided with, a right to cancel their agreement purchase Units of the Fund or to sue for damages if there is a misrepresentation in this Offering Memorandum. See "Statutory Rights of Action and Rescission" in the Offering Memorandum.

*This confidential offering memorandum (the "**Offering Memorandum**") constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities and to those persons to whom they may be lawfully offered for sale.* ***No securities commission or similar regulatory authority in Canada has reviewed this Offering Memorandum or has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.*** *No prospectus has been filed with any such authority in connection with the securities offered hereunder. This Offering Memorandum is confidential and is provided to specific prospective investors for the purpose of assisting them and their professional advisers in evaluating the securities offered hereby and is not to be construed as a prospectus or advertisement or a public offering of these securities. No person is authorized to give any information or make any representation not contained in this Offering Memorandum in connection with the offering of the securities described herein and, if given or made, any such information or representation may not be relied upon.*

**Continuous Offering** **June 8, 2018**

PORTLAND
INVESTMENT COUNSEL™

# PORTLAND PRIVATE INCOME FUND

## CONFIDENTIAL OFFERING MEMORANDUM

## CONFIDENTIAL OFFERING MEMORANDUM

**Dated: June 8, 2018** ***Continuous Offering***

## THE ISSUER:

| | |
|---|---|
| **Name:** | Portland Private Income Fund (the "**Fund**") |
| **Head Office:** | 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7 |
| **Phone Number:** | 1-888-710-4242 |
| **Email Address:** | info@portlandic.com |
| **Currently Listed or Quoted:** | **These securities do not trade on any exchange or market.** |
| **Reporting Issuer:** | No |
| **SEDAR Filer:** | Effective May 24, 2016, the Fund became a non-reporting SEDAR filer for the purposes of filing certain forms relating to the Fund's distribution in certain provinces. |
| **FundSERV Eligible:** | Yes |

## THE OFFERING:

**Securities Offered:**

The Fund intends to offer Common Units and Preferred Units (each a "**Class**"), issuable in series, as defined under "*Minimum Subscription Amount*" on a continuous basis in Canadian dollars to investors who are resident in the provinces and territories of Canada pursuant to available prospectus exemptions under applicable securities laws. The Common Units are unlimited in number and the Preferred Units are limited in number to a maximum of 25% of the total assets of the Partnership after giving effect to borrowing, inclusive of any prime brokerage or other borrowing facility.

The Common Units and Preferred Units are referred to as "Units" herein. Each Unit within a particular series of a class will be of equal value; however, the value of a Unit in one series may differ from the value of a Unit in another series. Each class and series currently created has the attributes and characteristics as set out under "*The Offering*".

**Price per Security:**

On the first date on which a series of Units is issued, Units of that series will be issued at an opening net asset value of $50.00 (in the case of Common Units) and $10.00 (in the case of Preferred Units). On each successive date on which Units of that series are issued, the Units may be issued at a net asset value per Unit to be calculated as described under "*Net Asset Value*".

**Minimum/Maximum Offering:**

There is no minimum or maximum offering of Common Units. There is no minimum offering of Preferred Units. The maximum offering of Preferred Units limited in number to a maximum of 25% of the total assets of the Partnership after giving effect to borrowing, inclusive of any prime brokerage or other borrowing facility. **You may be the only purchaser.**

**Minimum Subscription Amount:**

All investors must meet minimum investment criteria as outlined under *"Who Should Invest – Minimum Investment Criteria"*.

**Common Units**

Series A Units are available to all investors making a minimum purchase of Units of $2,500. Series F Units are available to all investors making a minimum purchase of Units of $2,500 and who purchase Units through a fee-based account with their registered dealer. Series O Units are available to certain institutional and other investors making a minimum purchase of Units of $500,000.

**Preferred Units**

Series AP Units are available to all investors making a minimum purchase of Units of $5,000. Series FP Units are available to all investors making a minimum purchase of Units of $5,000 and who purchase Units through a fee-based account with their registered dealer.

Portland Investment Counsel Inc. (the "**Manager**") may, in its absolute discretion, waive or adjust the initial minimum investment in the Units without notice to investors. See *"The Offering"*.

**Payment terms:**

The subscription amount (net of any commission payable to the registered dealer, if applicable) is payable within one business day following the Valuation Date. A "**Valuation Date**" is the last business day (that is, the last business day on which the Toronto Stock Exchange is open for trading) of each month and such other business day or days as the Manager may in its discretion designate. No financing of the subscription price will be offered by the Manager.

**Proposed Closing Date:**

The Fund is offered on a continuous basis.

**Income Tax Considerations:**

There are important tax consequences associated with the ownership of Units. See *"Canadian Income Tax Considerations and Consequences"*.

**Registered Plans:**

The Fund is a mutual fund trust as defined in the *Income Tax Act* (Canada) (the **"Tax Act"**) and as such Units are qualified investment under the Tax Act for RRSPs, RRIFs, DPSPs RESPs, RDSPs and TFSAs (collectively "**Registered Plans**"). Annuitants of RRSPs and RRIFs, holders of TFSAs and RDSPs, and subscribers of RESPs, should consult with their own tax advisors as to whether Units would constitute a "prohibited investment" under the Tax Act in their particular circumstances.

**Selling Agent:**

None.

## RESALE RESTRICTIONS

You will be restricted from selling your Units to other investors for an indefinite period. As there is no market for the Units, it may be difficult or even impossible for an investor to sell them. The Units are subject to resale restrictions. However, you will be able to require the Fund to redeem your Units at certain times if you follow the procedures we have established. See the section called *"Redemptions"*.

## PURCHASERS' RIGHTS

You have two business days to cancel your agreement to purchase Units. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the purchase agreement. See "*Statutory Rights of Action and Rescission*".

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss of part or all of their investment. There are additional risk factors associated with investing in the Units. Please see "*Risk Factors*". Subscribers are urged to consult with independent legal, tax and/or investment advisers and to carefully review the applicable documents prior to signing the subscription agreement for Units.

**The Manager is the trustee and manager of the Fund and will be paid fees for its services as set out herein. The Manager is a registered dealer participating in the offering of the Units to its clients for which it may receive an initial sales commission with respect to Series A and AP Units and it will receive a trailing commission with respect to Series A and AP Units. The Fund and any related issuers that are managed by the Manager from time to time may be considered to be "related issuers" and "connected issuers" of the Manager under applicable securities legislation. See "*Corporate Governance – Conflicts of Interest*".**

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## THE FUND

Portland Private Income Fund (the "**Fund**") is an open-ended unit trust established by Portland Investment Counsel Inc. (the "**Trustee**") as trustee under the laws of Ontario pursuant to a master declaration of trust first dated October 1, 2012, and as amended and restated (the "**Declaration of Trust**"). The office of the Fund is 1375 Kerns Road, Suite 100, Burlington, Ontario, L7P 4V7. A copy of the Declaration of Trust is available from the Manager upon request.

An investment in the Fund is represented by trust units (the "**Units**"), which may be issued in an unlimited number of classes and series of Units.

To date, the Fund has created two classes of Units, being "**Common Units**" and "**Preferred Units**". The Common Units are currently issuable in Series A, F or O and the Preferred Units are currently issuable in Series AP or FP.

The interest of each holder of Units (a "**Unitholder**") in a Class represents the same proportion of the total interest of all Unitholders of the applicable series in that Class as the net asset value ("**Net Asset Value**") of Units held by such Unitholder is of the total Net Asset Value of the series of the Class.

The Fund has no fixed term. The Fund may be terminated if the Manager determines that it is in the best interest of the Unitholders to do so and may occur on 30 days' written notice by the Manager to each Unitholder. See "*Termination of the Fund*".

The fiscal year end of the Fund is December 31.

## THE TRUSTEE

The Trustee is a corporation amalgamated under the laws of Ontario. The Trustee has ultimate responsibility for the business and undertaking of the Fund in accordance with the terms of the Declaration of Trust. The Trustee has engaged the Manager to manage the Fund on a day-to-day basis, including management of the Fund's portfolio and distribution of the Units of the Fund.

## THE MANAGER

The Trustee has engaged Portland Investment Counsel Inc. (the "**Manager**") to direct the day-to-day business, operations and affairs of the Fund, including management of the Fund's portfolio on a discretionary basis and distribution of the Units of the Fund. The Manager may delegate certain of these duties from time to time. See "*Management Agreement*".

The Manager is a corporation amalgamated under the laws of Ontario. The principal place of business of the Manager is 1375 Kerns Road, Suite 100, Burlington, Ontario, L7P 4V7.

Certain senior officers and directors of the Manager and/or its affiliates and associates may purchase and hold Units of the Fund and the securities of related issuers and underlying funds from time to time. These Units may represent a material proportion of the Fund.

Christopher Wain-Lowe, Chief Investment Officer, Executive Vice President and Portfolio Manager of the Manager, is principally responsible for selecting investments for the Fund.

*Christopher Wain-Lowe*

Christopher Wain-Lowe has over 35 years of business management and global financial services experience – living and working in four continents: Europe, Asia, Africa, North America as well as the Caribbean, which also embraced corporate experience in the energy, natural resources and utility industries. As Head of Utilities team, Barclays' Large Corporate Banking (1989-1992), Chris' team tendered and won most of the syndicated finance, large value leasing and project finance mandates during the UK's water and electricity privatizations – with Barclays' syndications consequently being awarded by Euromoney magazine as 'Best European Syndicate Bank' in 1991 and again in 1992.

As Chief Executive Officer he led Barclays' business in Greece, transitioning it to becoming more corporate focused and successfully selling its island retail network to The Bank of Nova Scotia (1995). As Chief Executive Officer he led Barclays' South African operations in Botswana to best in the region from 1997 to 2000. The Banker magazine ranked Barclays as the 'Best Bank' in Botswana and the 'Best Bank' in Africa in 2000. During Chris' three years with the bank, its market capitalization rose to US$300 million from US$80 million – a compound annual growth rate of more than 55%.

As Chief Executive Officer of National Commercial Bank Jamaica Limited ("**NCB**") he led the bank, from 2000 to 2002, to recognition as the world's 14th highest profits growth performer in 2002. In Chris' two years with NCB, its market capitalization rose to US$400 million from US$100 million - a compound annual growth rate of 100%.

Upon acquisition of NCB indirectly by Portland Holdings Inc., he joined the Manager and its affiliates in October 2002. As Executive Vice President he promoted the launch and listing on the Toronto Stock Exchange of ten closed-end funds during 2004 to 2007. He is currently the Chief Investment Officer and lead portfolio manager of three mutual funds and six private / alternative funds, namely Portland Private Income Fund, Portland Global Energy Efficiency and Renewable Energy Fund LP ("**Portland GEEREF LP**"), Portland Global Aristocrats Plus Fund, Portland Special Opportunities Fund, Portland Global Sustainable Evergreen Fund and Portland Global Sustainable Evergreen LP. Chris has a BA degree from University of North Wales and a MBA from University of Exeter. He is an Associate of the Chartered Institute of Bankers and holds their Financial Services Diploma, having placed first in his year (1989) of completion.

## THE PARTNERSHIP

The Fund is a limited partner of Portland Private Income LP (the "**Partnership**"). The Fund became a limited partner of the Partnership (a "**Limited Partner**") by acquiring non-voting interests in the Partnership designated as Class B Units. The Partnership has issued one Class A (voting) Unit to Portland General Partner (Ontario) Inc. (the "**General Partner**"). The Partnership may accept additional limited partners at the discretion of the General Partner.

The Partnership was formed under the laws of Ontario and became a limited partnership by filing a Declaration of Limited Partnership under the *Limited Partnerships Act (Ontario)* (the "**Partnership Act**") on December 17, 2012. The Partnership is governed by a limited partnership agreement dated as of December 17, 2012 (the "**Limited Partnership Agreement**") made between the **General Partner** and the Fund (the "**Initial Limited Partner**"). The principal place of business of the Partnership and the General Partner is 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7. A copy of the Limited Partnership Agreement is available from the Manager upon request.

The Partnership has no fixed term. Dissolution may only occur on 30 days' written notice by the Manager to each Limited Partner, or 60 days following the removal of the General Partner.

The fiscal year end of the Partnership is December 31.

## THE GENERAL PARTNER

The General Partner was incorporated under the *Business Corporations Act (Ontario)* on December 11, 2012. The General Partner may act as general partner of other limited partnerships, but does not presently carry on any other business operations and currently has no significant assets or financial resources. The General Partner and the Manager are controlled directly or indirectly by Michael Lee-Chin. Michael Lee-Chin is a director of the General Partner and an officer of the Manager. See *"The Manager"*.

The General Partner is generally responsible for management and control of the business and affairs of the Partnership in accordance with the terms of the Limited Partnership Agreement. The General Partner has engaged the Manager to carry out its duties, including management of the Partnership on a day-to-day basis, management of the Partnership's portfolio and distribution of the Units of the Partnership, but remains responsible for supervising the Manager's activities on behalf of the Partnership. The General Partner may also purchase Units.

## INVESTMENT OBJECTIVE AND STRATEGIES

### Investment Objective of the Fund

The investment objective of the Fund is to preserve capital and provide income and above average long-term returns.

### Investment Strategies of the Fund

The Fund intends to achieve its investment objective by investing all, or substantially all, of its net assets in the Partnership. Although the Fund intends to invest all, or substantially all, of its net assets in the Partnership, the Manager may from time to time determine that the investment objective of the Fund can be best achieved through direct investment in underlying securities and/or investment in other pooled investment vehicles. To the extent the Fund makes direct investments, it will apply the investment strategies of the Partnership set out below. In addition, the Fund intends to issue Preferred Units which should provide offering support to the investment objectives of the Fund by providing a source of borrowing at what the Manager believes to be an attractive cost which is expected to be between the borrowing cost of a prime brokerage facility and a loan facility. See "*Prime Broker and/or Custodian Agreement*" and "*Loan Facility*".

### Investment Objective of the Partnership

The investment objective of the Partnership is to preserve capital and provide income and above average long-term returns by investing primarily in a portfolio of private debt securities.

### Investment Strategies of the Partnership

To achieve the investment objective, the Manager may:

(a) invest in a portfolio of private income generating securities, either directly or indirectly through other funds, initially consisting of:

(i) private mortgages, administered by licensed mortgage administrators;

(ii) private commercial debts, a portion of which may have provisions resulting in equity ownership of the issuer of the debt or the underlying asset if certain events occur;

(iii) other debt securities, a portion of which may have provisions resulting in equity ownership of the issuer of the debt or the underlying asset if certain events occur; and

(b) invest in complementary income producing public securities, including real estate income trusts, royalty income trusts, preferred shares, dividend paying equity securities and debt securities including convertibles, corporate and sovereign debt.

To a lesser extent, derivatives may also be used on an opportunistic basis in order to meet the Partnership's investment objective. Derivatives may limit or hedge potential losses associated with currencies, specific securities, stock markets and interest rates or be used to generate income. Derivatives may include forward currency agreements and options.

In addition, the Partnership may borrow an aggregate amount up to 25% of the total assets of the Partnership after giving effect to the borrowing, using the most recently available net asset value, provided that the Preferred Units issued by the Fund will be counted as debt for the purposes of such calculation.

The Partnership may invest in investment funds, exchange-traded funds ("**ETFs**") and mutual funds (collectively referred to as the "**Underlying Funds**") which may or may not be managed by the Manager or one of its affiliates or associates. The Partnership may hold cash in short-term debt instruments, money market funds or similar temporary instruments, pending full investment of the Partnership's capital and at any time deemed appropriate by the Manager.

The Partnership has no geographic, industry sector, asset class or market capitalization restrictions. There is no restriction on the percentage of the Net Asset Value of the Partnership which may be invested in the securities of a single issuer.

**General**

The above-described investment strategies which may be pursued by the Fund and Partnership are not intended to be exhaustive and other strategies may also be employed. The actual strategies utilized by the Manager will depend upon its assessment of market conditions and the relative attractiveness of the available opportunities. The Manager may, in its absolute discretion, use strategies other than those described above or discontinue the use of any strategy without advance notice to the Fund and Partnership. Changes to the investment objective and strategies of the Fund and Partnership can be made without prior approval of the Unitholders. Additionally, the Fund and Partnership may invest in securities with which the Manager or its affiliates have a current or previous affiliation.

There can be no assurances that the Fund and Partnership will achieve their investment objectives.

## MARKET OPPORTUNITIES

The Partnership is seeking to provide 'enabling' capital to businesses that are typically below the radar of large chartered banks.

The Manager believes that the volatility in global markets over the last decade has reduced capital available to certain speciality finance companies and other capital providers, causing a reduction in competition and generally more favourable capital structures and deal terms for lenders. These market conditions may continue to create opportunities to achieve attractive risk-adjusted returns.

The commercial mortgage market in Canada is segmented into tiers that reflect the desirability of commercial mortgages as tier-one, mid-tier or other by the large lending institutions in Canada. Several business and project specific factors influence this segmentation. The business factors vary from time to time and by region amongst the large lending institutions and include geographical preferences and concentration issues, other business objectives, relationships with borrowers, risk tolerance, cost of funds, size of mortgages, and other financial criteria inherent to each individual lender. Project specific factors include the stage of project development, borrower profile and experience, market factors, the amount of borrower equity, levels of presales and/or pre-leasing, existence of mortgage insurance and clarity of exit and repayment strategies. These factors when ranked by each lender determine the tiered structure of the industry and the pricing and availability of capital to borrowers throughout the market place. As such, it is quite common to have similar projects considered as either tier-one and/or mid-tier by different lenders and to have the same project evolve from a lower-tier to a tier-one ranking project and for it to attract new and different lenders as the project moves through the various development stages of land acquisition, predevelopment, infrastructure, construction, and finally the selling cycle. As a result, in Canada's most populated cities, major institutions, chartered banks and trust companies compete for the tier-one, high volume, secured or insurable loan opportunities with an oversupply of capital to opportunities. In all other markets, there exists a near constant imbalance of capital to demand for commercial mortgage funds for mid-tier development and construction projects. In these markets, the Mortgage Administrators (described below) and other private lenders compete for lower volume, development and construction loan opportunities with a usual oversupply of opportunities to appropriately priced capital.

Similarly, the Manager believes, chartered banks are reluctant or slow to decide to lend so that there exists, a near constant imbalance of capital to demand for a wide array of private debt transactions for medium sized companies across all industry sectors.

The Manager believes that many traditional bank lenders have, in recent years, de-emphasized their service and product offerings to middle-market business in favour of lending to large corporate clients and managing capital markets transactions. In addition, these bank lenders are limited in their ability to underwrite and syndicate bank loans and high yield securities for middle-market issuers as they have had to build capital in order to meet higher regulatory capital requirements. These factors may result in opportunities for alternative funding sources to middle-market companies and therefore more new-issue market opportunities for the Partnership.

The Manager believes that there is a lack of market participants that are willing to not only underwrite but also hold loans. As a result, the Manager believes, the Partnership's intention to minimize syndication risk for a company seeking financing by being able to hold loan investments without syndicating them would be a competitive advantage.

For instance, relatively few secondary debt firms remain in Canada and barriers to entry are high after the recent global financial crisis. The Manager believes the difficulty experienced by companies in obtaining senior debt creates a profitable opportunity for direct or indirect debt deals for the Partnership.

Notwithstanding the focus on Canada, the Manager also intends to seek opportunities overseas where the Manager believes prevailing economic conditions are favourable, the private capital markets are similarly attractive and the Manager has direct, or access to, previous relevant experience.

## INVESTMENT AND OPERATING POLICIES OF THE PARTNERSHIP

### Management of the Partnership

An investment goal of the Manager is to make prudent investments in private debt securities. To help address this goal the Manager will employ specialists who are prepared to co-invest including, but not limited to, Mortgage Administrators and Specialty Investment Managers as detailed below.

A **Mortgage Administrator** is responsible for servicing and administering mortgages throughout their term on behalf of the Partnership pursuant to a Mortgage Administration and Services Agreement. See "*The Mortgage Administrators*".

**Specialty Investment Managers** will be selected by the Manager from time to time for their perceived: (i) investment underwriting skills; (ii) ability to identify and execute investments (debt and/or equity) suitable for the Partnership (the "**Investments**"); (iii) ability to guide and manage an attractive portfolio of primarily middle-market companies (the "**Financed Companies**") in which the Partnership will either directly or indirectly finance via commercial loans or other debt securities and; (iv) ability to determine the appropriate time and terms upon which to exit the Investments or the investments in Financed Companies. See "*Speciality Investment Managers*".

### Mortgages

The Manager decides whether or not the Partnership participates in mortgages offered to it by a Mortgage Administrator. In addition to the investment strategies described under "Investment Objective and Strategies – Investment Strategies of the Partnership", the Manager will employ investment and operating policies and restrictions on mortgages that the Partnership may make as follows:

- the Partnership may be invested in mortgages, and subordinated mortgages, deeds of trust, charges or other security interests of, or in Real Property. **"Real Property"** means property which in law is real property and includes, whether or not the same would in law be real property, leaseholds, mortgages, undivided joint interests in real property (whether by way of tenancy-in-common, joint tenancy, co-ownership, joint venture or otherwise) and interests in and to any of the foregoing;

- the majority of mortgages are currently expected to be up to $30 million with the larger concentration being between $1.5 million and $20 million;

- mortgages are generally expected to be written for terms of 6 to 36 months and supported by commercial liability insurance and by personal or corporate guarantees;

- while individual mortgages will vary, the aggregate portfolio of mortgages are generally expected to be written for principal amounts at the time of commitment (together with the principal balance outstanding on prior mortgages if applicable), not exceeding 75% of the determined value of the underlying Real Property securing the mortgages;

- the Partnership may assign all or a portion of a mortgage or mortgages held by it (the "**Assigned Portion**") to one or more arm's length third party lenders (the "**Assignee Lender(s)**") for value. If

a portion of such mortgage or mortgage(s) (the "**Retained Portion**") is retained by the Partnership, the Partnership may enter into an agreement with the Assignee Lender(s) as to relative ranking of the Assigned Portion and the Retained Portion;

- the Partnership may participate in investments on a syndicated basis with others, including a Mortgage Administrator and their affiliates and associates;

- to manage and diversify risk, a Mortgage Administrator may syndicate investments in which the Partnership participates with one or more lenders. All such syndicated mortgages may initially be funded by the Partnership with mortgagors at a specified interest rate and a portion of the mortgage may then be syndicated to a financial institution or other lenders sourced by the Mortgage Administrator. Syndication may be on a pari passu basis or on a subordinated basis. Syndicating reduces the Partnership's exposure in respect of any one investment;

- when making an investment in, or an acquisition of, a mortgage or other investment, the Manager may, in its absolute discretion, but will not be obliged to, obtain or review an independent appraisal from a person who is an appraiser accredited or licensed by the Appraisal Institute of Canada or any successor thereof (a "**Qualified Appraiser**") of, and/or a "**Phase I Environmental Audit**" (i.e. an evaluation of Real Property for purposes of environmental analysis performed solely on the basis of historical records without invasive sampling or drillings from such property) on, the underlying Real Property which is the primary security for the mortgage or other investment, and may or may not obtain additional independent appraisals or audits of the underlying property or any additional collateral and other properties securing the mortgage or other investment;

- in addition, in its absolute discretion, the Manager may rely upon an independent appraisal from a Qualified Appraiser and/or a Phase I Environmental Audit in respect of the subject property that has been provided to the Partnership from the Mortgage Administrator;

- the Partnership's interest in each mortgage investment will be held by legal title and registered in the name of the Mortgage Administrator on behalf of the Partnership as mortgage administrator and bare trustee of the investment;

- the determined value relied upon for purposes of making a mortgage investment need not be on an "as is" basis and may be based on stated conditions, including without limitation, completion, rehabilitation, sale or lease-up of improvements located on the Real Property; and

- the Partnership may participate in debtor-in-possession ("**DIP**") financings. Debtor-in-possession financing, also known as "interim financing" or Receivership financing or "DIP financing," describes an increasingly common situation where financing is provided to a technically insolvent company which via court approval is allowed to remain in possession of its assets during a restructuring process. A hallmark of DIP financing is that the DIP lender will be granted "super-priority" status over the claims of other creditors.

**Commercial Loans through a Specialty Investment Manager**

The Manager decides whether or not the Partnership invests directly or indirectly in a fund managed by a Specialty Investment Manager and the extent of the commitment to that fund; but does not decide on the individual loans or investments which will comprise that Specialty Investment Manager's fund. In addition to the investment strategies described under "*Investment Objective and Strategies – Investment Strategies of the Partnership"* above, the Manager will, and expects its Specialty Investment Managers

will, employ investment and operating principles and restrictions on commercial loans and other debt securities that the Partnership may enter into directly or indirectly as follows:

- the Partnership may be invested in first and second lien senior loans, term mezzanine debt and bridge loans, consisting of secured senior and subordinated debentures plus participation rights which are often in the form of gifted equity or deferred interest;

- first and second lien senior loans and mezzanine debt are typically term loans of 1 to 10 years amortization periods and so with expected general terms being between 1 to 7 years, although some may be a much longer in duration, whereas bridge loans are typically less than 1 year;

- the highest priority in making first and second lien senior loans, mezzanine debt and bridge loan investments is to seek to ensure that the invested capital is safe. The goal is to accomplish this objective either directly or indirectly through credit underwriting which focuses on the viability of the business and the expected realization of the security in the event an investment does not perform as expected. The goal is to protect the Partnership's position either directly or indirectly through disciplined investment management, active management, protective covenants and priority agreements;

- the belief that strong management, real cash flow, controlled balance sheet leverage and the ability, either directly or indirectly, to negotiate the appropriate entry price point are the primary drivers of value creation;

- based on current expectations, the composition of commercial loans is expected to have appropriate loan to value and proper asset protection through their tenors. The Investments which are senior secured loans would ordinarily expect to be within the range of 50% to 80% of the determined value of its underlying assets; and/or it is ordinarily expected that leverage of Financed Companies to be less than 50% of their determined value and controlled at or below a ratio of 5x debt/EBITDA[1] and more generally less than 4x debt/EBITDA;

- it is currently expected that a typical Financed Company would be generating EBITDA of $5 million to $15 million although Financed Companies could be generating EBITDA of up to $250 million; and

- the Partnership may participate in investments on a syndicated basis with others, including a Specialty Investment Manager and their affiliates and associates.

**Derivatives**

The Partnership may use derivatives to hedge the Partnership's foreign currency exposure. The Partnership may also use derivatives for non-hedging purposes to seek to generate additional returns. Such derivatives may include forward currency agreements, exchange traded options and over-the-counter options. In connection with the use of forward currency agreements, the Manager will follow the requirement under National Instrument 81-102 *Investment Funds* ("**NI 81-102**"). The Manager will review the currency exposure and will adjust hedging levels from time to time as it considers appropriate. The writing of call options by the Partnership will involve the selling of call options in respect of some or all of the equity securities held in the Partnership and may be either exchange traded options or over-the-counter

[1] Earnings before interest, taxes, depreciation and amortization

options. Call options will be written only in respect of securities that are held in the Partnership and therefore the call options will be covered at all times. The writing of put options will involve utilizing cash, cash equivalents or other securities to provide cover in respect of the writing of cash covered put options, which are intended to generate additional returns and to reduce the net costs of acquiring the securities subject to the put options.

**Amendments to Investment & Operating Policies**

The investment and operating policies of the Partnership set out above may be amended, supplemented or replaced from time to time by the Manager in its absolute discretion. If at any time a government or regulatory authority having jurisdiction over the Partnership or any property of the Partnership enacts any law, regulation or requirement which is in conflict with any investment or operating policy of the Partnership then in force, such policy will be deemed to have been amended to the extent necessary to resolve any such conflict.

**Collection Activities**

A Mortgage Administrator is expected to provide those services as may be required in connection with the collection, handling, prosecuting and settling of any claims of the Partnership with respect to the Partnership's beneficial ownership in each mortgage, including foreclosing and otherwise enforcing mortgages and other liens and security interests securing the Partnership's interests.

A Specialty Investment Manager is expected to provide those services as may be required in connection with the collection, handling, prosecuting and settling of any claims on Investments or a Financed Company within an Underlying Fund managed by the Specialty Investment Manager, including collection proceedings and otherwise enforcing secured loans and other liens and security interests securing the Underlying Fund's investment interests.

The Manager will provide those services as may be required in connection with the collection, handling, prosecuting and settling of any claims of the Partnership with respect to the Partnership's direct beneficial ownership in each commercial loan, including collection proceedings and otherwise enforcing secured loans and other liens and security interests securing the Partnership's interests.

**Statutory Caution**

The foregoing disclosure of the Manager's investment strategies, investment and operating policies and intentions may constitute "forward-looking information" for the purpose of applicable securities legislation, as it contains statements of the Manager's intended course of conduct and future operations of the Fund and Partnership. These statements are based on assumptions made by the Manager about the success of its investment strategies in certain market conditions, relying on the experience of the Manager's officers and employees and their knowledge of historical economic and market conditions. Investors are cautioned that the assumptions made by the Manager and the success of its investment strategies are subject to a number of mitigating factors. Economic and market conditions may change, which may materially impact the success of the Manager's intended strategies as well as its actual course of conduct. Investors are urged to read "*Risk Factors*" below for a discussion of other factors that will impact the operations and success of the Fund and Partnership.

## THE MORTGAGE ADMINISTRATORS

The Manager will select Mortgage Administrators which it believes administer mortgages for real estate projects that are of high quality with the expectation of experienced strong management, tangible

security, an achievable business plan and above average risk adjusted returns. A Mortgage Administrator acts as an intermediary between individual investors, institutional investors and other lending entities wishing to fund private mortgage opportunities with experienced builders and developers who need predictable access to mortgage capital. A Mortgage Administrator offers the developer 'enablement capital' to move its projects forward so that it can implement its business plan while the Mortgage Administrator takes a security interest in the project on behalf of lenders.

**MarshallZehr Group Inc.**

MarshallZehr Group Inc. ("**MZG Inc.**" or "**Mortgage Administrator**") is a Mortgage Administrator selected by the Manager to be responsible for brokering, servicing and administering mortgages throughout their term on behalf of the Partnership. MZG Inc. is a corporation formed under the laws of Ontario in 2008. MZG Inc. is a privately held real estate lending firm and is a licensed mortgage brokerage and mortgage administrator under the *Mortgage Brokerages, Lenders and Administrators Act, 200*6 (Ontario) ("**MBLAA**"). The office of MZG Inc. is located at 465 Phillip Street, Suite 206, Waterloo, Ontario, N2L 6C7 and provides its services on behalf of the Partnership and Fund pursuant to a Mortgage Administration and Services Agreement. See "*Mortgage Administration and Services Agreement*". Each mortgage is an independent mortgage opportunity that the Manager decides on behalf of the Partnership or Fund to participate in as a lender and as a beneficial owner (i.e. a mortgagee).

MZG Inc. was created just as the credit market was starting to collapse prior to 2008. Investors were increasingly interested in secured alternative investments that were not directly tied to the world capital market's woes, while regional real estate builders and developers were looking for capital that the banks were no longer as willing to provide. MZG Inc. believes that many of these regional builders and developers were experiencing commercial success, in spite of facing substantial challenges in acquiring mortgage financing. MZG Inc. has since continued to assist quality regional builders and developers seeking financing as well as lenders seeking secure real estate projects to invest in. MZG Inc.'s clientele has grown and MZG now believes it is one of Canada's largest residential construction and development lenders.

MZG Inc. believes that through its extensive business experience and specialized knowledge in the commercial, finance and real estate industries, it is able to provide attractive yields by actively structuring and administering mortgage loans selected for their strong returns and robust risk profile. The Manager believes that the mortgage loans presented by MZG Inc. should provide attractive investments for the Partnership with secured regional real estate investments in the form of mortgage debt. MZG Inc. provides capital to real estate projects that, it believes, are of high quality and that have experienced strong management, tangible security, an achievable business plan and the potential for above average risk adjusted returns. MZG Inc. provides capital to developers and builders from its private and institutional capital sources. Individual mortgage transactions are currently typically less than $30 million. MZG Inc. is considering mostly dynamic, high growth geographies/niches that may be outside the focus of other lenders, servicing smaller, higher yielding loans, and believes it is mitigating downside risk by dealing mainly with real estate transactions where it has direct experience with partners with a long-term track record. MZG Inc. believes the short-term nature of construction project financing further reduces risk, removing much of the market cycle uncertainty inherent in traditional long-term lending. MZG Inc. intends to provide the Partnership with a blend of mortgages including large volume, capital construction financing mortgage opportunities with terms generally up to 36 months.

MarshallZehr Group Inc.'s Management Team

*David Marshall, President and Co-Founder*

David has over 25 years of experience in the financial services industry with expertise in business development, due diligence and credit review. David's financial services experience includes mortgage origination, commercial leasing, consumer finance, institutional portfolio management (sales and marketing) vendor finance and senior relationship management.

*Gregory Zehr, CEO and Co-Founder*

Greg has over 25 years of business and real estate experience across both the United States and Canada. His experience includes building and selling businesses and executive leadership roles in multiple industries including lending, insurance, real estate, and international communication centres. Greg has also owned and managed privately held investment and real estate development companies for over two and a half decades.

*Cecil Hayes, Chief Operating Officer*

Cecil has over 25 years of financial services and commercial business experience, including 12 years as a senior manager in a Big 5 Canadian bank. He has held executive leadership roles in a number of large North American corporations as well as privately held businesses, ranging from Senior Sales Leader to President and CEO. This unique blend of Bay Street and Main Street experience is an asset for MarshallZehr Group clients when structuring opportunities from both the Credit and Lending perspectives.

*Murray Snedden, Chief Financial Officer and Principal Broker*

Murray has over 30 years of accounting and treasury experience across major financial, real estate and pharmaceutical companies. He has held several executive positions, including Vice-President, Treasurer at one of Ontario's largest home developers. Murray is a Chartered Professional Accountant (CPA, CMA) and a Certified Management Consultant (CMC) responsible for leading MarshallZehr's accounting and financial reporting and coordinating aspects of Risk Management.

## SPECIALTY INVESTMENT MANAGERS

The Manager will invest the Partnership's assets in investment products managed by Specialty Investment Managers which it believes have disciplined investment philosophies that are similar to its own. Specifically, the Manager would expect a Specialty Investment Manager's philosophy, portfolio construction and portfolio management to involve an assessment of the overall macro-economic environment and financial markets and company-specific research and analysis. The Manager would expect a Specialty Investment Manager's investment approach to emphasize capital preservation, low volatility and minimization of downside risk. In addition to engaging in due diligence from the perspective of a long-term investor, the Manager would seek a Speciality Investment Manager that would focus on:

- businesses with strong franchises and sustainable competitive advantages;
- industries with positive long-term dynamics;
- businesses and industries with cash flows that are dependable and predictable;

- management teams with demonstrated track records and appropriate economic incentives;
- rates of returns commensurate with the perceived risks;
- securities or investments that are structured with appropriate terms and covenants; and
- businesses backed by experienced private equity sponsors.

The Partnership may also co-invest directly in commercial loans with a Specialty Investment Manager.

Current Specialty Investment Managers that have been selected by the Manager in respect of the Partnership or the Fund are Crown Capital Partners Inc., the European Investment Fund ("**EIF**") and its sister institution the European Investment Bank ("**EIB**"), which provide institutional support for the Global Energy Efficiency and Renewable Energy Fund ("**GEEREF**") investment team through the Partnership's investment in Portland GEEREF LP, and EnTrustPermal Ltd. The Manager continues to look to select other Specialty Investment Managers.

**Crown Capital Partners Inc.**

Crown Capital Partners Inc. ("**Crown Capital**") is a specialty finance company focused primarily on providing capital to successful Canadian companies, and to select U.S. companies, that are unwilling or unable to obtain suitable financing from traditional capital providers such as banks and private equity funds. Crown Capital originates, structures and provides tailored transitory and permanent financing solutions to a diversified group of private and public mid-market companies in the form of loans, royalties and other structures with minimal or no ownership dilution. Such financing solutions allow business owners to retain the vast majority of the economic rewards associated with the ownership of their respective businesses.

Crown Capital's business was established in October 2000 by Crown Life Insurance Company ("**Crown Life**") in order to manage its private equity and debt investments. Just under two years later, Crown Capital's Management and advisory partners purchased all outstanding shares of Crown Capital from Crown Life. In 2011, Hesperian Capital Management Inc. (now Norrep Capital Management Ltd. ("**Norrep Capital**")), acquired an ownership interest in Crown Capital. Norrep Capital is a leading investment management firm focused on specialized public equity and debt strategies. Norrep Capital divested its holdings in July 2015 when Crown Capital was listed on the Toronto Stock Exchange.

Crown Capital targets successful companies with perceived risk profiles exceeding the lending criteria of traditional lenders, and whose capital requirements are too small to access the high yield public debt market. In identifying potential financing clients, particular attention is paid to the stability and growth of revenues and profitability, the potential client's ability to repay debt, and marketability of the client or its assets in a default scenario. Crown Capital's management team has directed alternative debt funds over the past 18 years and has deployed over $600 million in private debt transactions through multiple economic cycles.

Crown Capital's financing solutions are designed to generate stable and predictable cash flows for Crown Capital over the long term while limiting its exposure to variability in the financing client's operating performance. Crown Capital intends to develop a diversified portfolio of successful commercial-stage financing clients that generate stable and recurring cash flows for Crown Capital. With a stable cash flow, Crown Capital intends to provide regular dividends to shareholders.

The Manager shares Crown Capital's belief that the current market for alternative financing solutions for mid-market companies in Canada is quite strong. Canada's financial landscape is dominated by the six leading chartered banks and private equity funds, whose financing terms and dilutive financing structures are, in management's view, often ill-suited to meet the demands of many mid-market companies.

There are several thousand mid-market companies in Canada and multiples more in the United States. The Manager and Crown Capital's management believe that many of these mid-market companies prefer to execute transactions with private capital providers such as Crown Capital, rather than execute high-yield bond or equity transactions in the public markets, which may necessitate increased financial and regulatory compliance and reporting obligations.

Crown Capital believes that the current market dynamic has created an opportunity for specialty finance providers focused on the mid-market. Through its track record, hybrid business model and tailored financing solutions that provide business owners with significant benefits over alternative sources of capital, Crown Capital believes that it is well positioned to address the current funding gap that exists for mid-market companies in North America.

Christopher Wain-Lowe is a member of Crown Capital's investment committee, as an observer.

Crown Capital Fund IV, LP

Crown Capital Fund IV Management Inc. ("**Crown Capital GP**") is the general partner of Crown Capital Fund IV, LP, an investment of the Partnership, and as such is entitled to fees (including performance fees as described below) and reimbursement of expenses as outlined in the limited partnership agreement. The annual management fee payable to Crown Capital is equal to 1.75% of contributed capital, less any capital distributions and realized losses, per each calendar year. This management fee will be reduced by the amount of fee discount distributions made to (i) limited partners that purchased units on the initial closing date (the Partnership, as a qualified limited partner, receive a discount of 0.175 percentage points off the 1.75% per annum management fee) and; (ii) limited partners having a capital commitment in excess of $20,000,000 (the Partnership, as a qualified limited partner, receives 0.75 percentage points off the 1.75% per annum management fee). To clarify, the units purchased at the initial closing date were $10,000,000 to which the 0.175% discount applies. As at July 31, 2017, units purchased now exceed $20,000,000 and so the aggregate annual management fee is a blend of $10,000,000 at 1.575%, $10,000,000 at 1.75% and the capital commitment in excess of $20,000,000 at 1%. Crown Capital is also entitled to 50% of all transaction fees received by Crown Capital Fund IV, LP in connection with any investments, up to a maximum amount per investment equal to 1% of the total amount of the investment. Transactions fees include all negotiation fees, financing fees, closing fees, success fees and other similar fees or payments earned and received by the Crown Capital Fund IV, LP in connection with the beginning of an investment.

Distributions of current cash received from dividends and interest from investee investments net of current expenses and net cash proceeds from the sale of investee investments or any portion of an investment will be made to limited partners. Distributions will be paid in the following amounts and order of priority: (i) 100% of the limited partners' contributed capital; (ii) distributions representing an 8% annual rate of return (calculated as from the date of contribution and compounded annually) on the limited partners' contributed capital (i.e. the amount that has actually been contributed divided by paid by limited partners), on an aggregate basis; and (iii) thereafter split 80% to the limited partners and 20% to the general partner.

Crown Capital Partners Inc.'s Management Team

*Christopher Johnson, President and Chief Executive Officer*

Chris co-founded Crown Capital in 2000. As president and CEO, he is responsible for directing Crown Capital investment functions, including deal origination, underwriting and portfolio management. Chris also manages client relations. Prior to starting Crown Capital, Chris was an investment manager for Crown Life Insurance Company. In this role, he was responsible for the investment management of Crown Life's equity and fixed income investments, asset liability management, and derivative management. Chris has a Bachelor of Commerce (Honours) from the University of Guelph and holds the Chartered Financial Analyst designation.

*Brent Hughes, Executive Vice President and Chief Compliance Officer*

Brent joined Crown Capital in 2001 and leads the company's origination efforts. Prior to joining Crown Capital, Brent was an investment analyst at Saskatchewan Opportunities Corporation. Brent has a Bachelor of Commerce (Great Distinction) from the University of Saskatchewan and an M.Sc. in Finance from Concordia University, and holds the Chartered Financial Analyst designation.

*Tim Oldfield, Senior Vice President, Chief Investment Officer*

Tim joined Crown Capital in 2015, assuming responsibility for investment underwriting and portfolio management. Tim has over 15 years of experience in transaction due diligence, mergers & acquisitions, capital advisory, financial analysis and modeling, and business valuations. Prior to joining Crown Capital, Tim was a Partner in the Corporate Finance group at Grant Thornton LLP, where he led the due diligence team in Southern Ontario. In addition to having his CA/CPA designation, Tim holds the Chartered Financial Analyst and Chartered Business Valuator designations.

*Michael Overvelde, Senior Vice President, Finance and Chief Financial Officer*

Michael joined Crown Capital in 2017 to manage the company's financial reporting and expand capital markets relationships and activities. Michael has more than 25 years of experience in capital markets and accounting. He was most recently Vice President, Equity Research Analyst at Raymond James covering the Canadian Diversified Financial sector. His equity research experience also includes roles at TD Securities and UBS Securities Canada. Michael previously held several senior institutional equity sales positions and worked at Ernst & Young as Audit Manager. Michael obtained his Bachelor of Commerce degree from Queen's University before becoming a Chartered Professional Accountant. He also earned his Chartered Financial Analyst designation.

**Global Energy Efficiency and Renewable Energy Fund**

GEEREF is a private equity and infrastructure fund of funds, investing in equity or quasi equity investments in energy efficiency and renewable energy private equity funds, providing equity or quasi equity for primarily energy efficiency and renewable energy projects in developing countries ("**Regional Funds**"). The GEEREF investment team is supported by the EIF as advisor and EIB as sub-advisor of GEEREF. The EIB is the largest multilateral borrower and lender in the European Union with over €78 billion of lending in 2017.

GEEREF invests exclusively in funds targeting projects in emerging markets that qualify as recipients for Official Development Assistance. There are currently 146 countries recognized as such by

the Organisation for Economic Co-operation and Development and GEEREF's funds can target all of these other than candidates for accession to the European Union. Priority is given to investment in countries with appropriate policies and regulatory frameworks on energy efficiency and renewable energy. GEEREF invests in specialist funds developing small to medium-sized projects in the following sectors: Renewable Energy – including small hydro, solar, wind, biomass and geothermal; and Energy Efficiency – including waste heat recovery, energy management in buildings, co-generation of heat and power, energy storage and smart grids.

GEEREF was initiated by the European Commission in 2006 and launched A shares in 2008 with funding from the European Union, Germany and Norway, totaling €112 million. GEEREF successfully concluded its fundraising from private sector investors for B units on May 2015, which brought the total funds under management to €222 million. B units of GEEREF feature a preferred return mechanism and faster return of capital over the A shares currently held by the public sponsors. As of December 2017, GEEREF had invested in 13 funds across Africa, Asia, Latin American and the Caribbean.

Typically, the Regional Funds levy management fees of 2% per annum with investors/limited partners like GEEREF having first priority on all net gains and income received or realised on investments of 8% - 10% per annum (simple, not compounded) above which 20% of remaining distributions are allocated as carried interest to the Regional Fund manager. GEEREF pays an advisory fee to the EIF of an average 0.95% of total commitments to GEEREF.

The front office team of GEEREF and EIB group plan to have the first closing of GEEREF NeXt in late 2018, a successor fund to GEEREF. GEEREF NeXt plans to replicate the key investment strategy and feature a preferred return mechanism and faster return of capital similar to the B units in GEEREF. GEEREF NeXt will primarily invest in specialized private equity funds, managed locally by fund managers, to develop renewable energy/energy efficiency projects. The Green Climate Fund ("**GCF**") which is the world's largest pool of climate-related public funding has agreed to provide the full US$250 million tranche of public investor A share commitment with the target being to raise up to US$500 million of B units. It is currently the Partnership's intention to invest in the B units of GEEREF NeXt.

Portland Global Energy Efficiency and Renewable Energy Fund LP

The Partnership is currently an investor in series O units of Portland GEEREF LP. Portland GEEREF LP invests primarily in B units of GEEREF. Pending the full investment of Portland GEEREF LP commitments, Portland GEEREF LP may invest in a variety of other investments including in a portfolio of income producing private and public debt and equity securities, either directly or indirectly through other funds, including real estate income trusts, preferred shares, dividend paying equity securities and debt securities including convertibles, mortgages, corporate and sovereign debt. Portland GEEREF LP may also invest in options, investment funds, exchange traded funds and mutual funds and may hedge part or all of the non-Canadian dollar exposure back to the Canadian dollar from time to time. Portland GEEREF LP may borrow up to 7.5% of its' total assets after giving effect to the borrowing. Portland GEEREF LP has the same manager as the Fund and the Partnership.

The investor in Portland GEEREF LP will pay to Portland Investment Counsel Inc., as Manager, as of the last business day of each month, a fixed management fee equal to the rate of 0.60% per annum of the net asset value of Portland GEEREF LP. Effective December 31, 2017, the management fee will increase to 0.75% per annum. The Manager is also entitled to a promoter fee ("**Promoter Fee**") equal to 2%, inclusive of applicable GST, HST and other applicable taxes, of the total amount of gross subscriptions received by Portland GEEREF LP. The Promoter Fee will be amortized over 60 months commencing on December 31, 2017.

GEEREF's Management Team

GEEREF is currently managed by the following Front Office management team.

*Cyrille Arnould, Head of GEEREF Front Office*

Cyrille joined the GEEREF Front Office in 2008. Previously, he was a Senior Officer at EIB's Africa, Caribbean and Pacific Department, where he oversaw the development of private equity and microfinance portfolios. Prior to joining the EIB in 2003, Cyrille was a Senior Investment Officer at the International Finance Corporation's SME Department, which he joined after four years with IFC's Financial Markets Group, Sub-Saharan Africa Department. He was previously IFC's Senior Investment Officer based in Russia. Before joining IFC, Cyrille worked in Russia for the European Bank for Reconstruction and Development, first as Investment Manager for Smolensk Regional Venture Fund and then as Principal Banker in Moscow.

Cyrille holds a Diploma from the Political Science Institute and a Master's in Law, both from the University of Strasbourg, and an MBA from the Wharton School of the University of Pennsylvania.

*Dr. Gunter Fischer, Senior Investment Manager, GEEREF Front Office*

Gunter joined the GEEREF Front Office in 2008. Prior to that, he was concentrating on Venture Capital and Private Equity Fund of Fund operations at EIF where he focused on the management of ERP-EIF Dachfonds, the EIF's first external Fund-of-Funds mandate. Prior to joining the EIF, Gunter was a Consultant in the corporate finance practice of Arthur D. Little in Berlin.

Gunter holds a degree in business administration and a PhD in finance from the European University "VIADRINA" in Frankfurt, Germany; a degree in commerce from Reims Management School/ESC Reims, France; as well as a degree in Business Law from the University of St. Gallen in Switzerland. Since 2014, Gunter has been teaching finance courses at the University of Luxembourg.

*Mónica Arévalo, Senior Investment Manager, GEEREF Front Office*

Mónica joined the GEEREF Front Office in 2013. Previously, she worked in the Africa, Caribbean and Pacific Department of the EIB and before that in the Mediterranean Neighbourhood Department, in both cases as project officer responsible for the financing of capital investment projects, with a specific focus on the infrastructure and sustainable energy sectors. Prior to joining the EIB in 2005, Mónica was a financial analyst at Schroder Salomon Smith Barney's corporate finance practice in London.

Mónica holds a degree in business administration and an MBA from the Universidad Pontificia Comillas Madrid - ICADE, Spain; and a Master's in International Relations from the Instituto Universitario Ortega y Gasset in Madrid, Spain.

*Aglaé Touchard-Le Drian, Senior Investment Manager, GEEREF Front Office*

Aglaé joined the GEEREF Front Office in 2015. Previously, she worked at EIF's social impact investing team and was exposed to capital investments in developing and emerging economies through her experience at both the EIB and the French Development Agency (AFD), within the Private Equity team of Proparco, where she also worked on renewable energy projects. Prior to that, Aglaé worked in strategic consulting (with LEK Consulting) and investment banking (with Rothschild & Cie).

Aglaé holds qualifications from the Institut d'études politiques (Sciences Po Paris), the École supérieure de commerce (Paris School of Management) and the Université de Paris IX-Dauphine. Since 2006, she lectures a class on Private Equity in Emerging Countries at Sciences Po Paris.

**EnTrustPermal Ltd.**

EnTrustPermal, a specialty finance company, is a leading global alternative asset manager specializing in providing investment solutions to public, corporate and multi-employer pension funds, foundations, endowments, sovereign wealth funds, insurance companies, private banks, family offices and high net worth individuals. The EnTrustPermal team is understood to have extensive investment and financial industry experience in traditional and alternative asset classes. The expertise of its professionals is expected to be applied to all aspects of investment management, including research, risk management, operations, investor services and business development.

Blue Ocean Fund

EnTrustPermal, together with its affiliates, provide certain portfolio and risk management services to the Blue Ocean Fund which was launched in June 2017 at an amount of US$91.5 million. The Partnership was an initial investor in the Blue Ocean Fund. As at December 31, 2017, the total loan and other commitments for the Blue Ocean strategy were approximately US$245 million.

The investment strategy of the Blue Ocean Fund is to seek to generate attractive risk adjusted returns by targeting direct lending opportunities to vessel owners by engaging in asset-based financings secured by high-quality maritime assets. The Blue Ocean Fund will be primarily engaged in lending to and investing in shipping companies, non-U.S. oil services companies and other maritime businesses and operations related directly thereto.

The Blue Ocean Fund seeks to exploit the current twin dislocations in the shipping and European banking sectors by serving as an alternative source of liquidity to companies as traditional lenders reduce their activities. The Manager and EnTrustPermal believe that current financing opportunities in the shipping sector come with significant contractual downside protection given low to moderate loan-to-ship values, historically low asset values and first lien, senior secured structures. The Blue Ocean Fund is expected to be a diversified portfolio of 25 to 40 primarily floating rate first lien or bonds over a 12 to 36-month ramp-up period and investments will focus on situations currently being underserved by traditional maritime lenders, including financing of small to medium sized shipping companies in various degrees of stress. The Blue Ocean Fund intends to make quarterly cash distributions of interest income and principal amortization.

An investor in Blue Ocean Fund will pay to EnTrustPermal, in arrears, as of the last business day of each calendar quarter, a fixed management fee equal to the rate of 0.375% (1.5% per annum) of the net asset value of contributed capital. This management fee will be reduced by (i) the amount of any contributed capital attributable to an investment that has been (a) disposed of or (b) written down or written off as a result of a permanent decline in value or impairment equal to at least 50% of the original cost of such investment, and (ii) distributions which reflect return of principal, and not income or profit, in respect to realized investments.

In addition, an incentive allocation will be applied of 15% upon realization of profits of the Blue Ocean Fund, subject to a hurdle rate of 6%. After the hurdle rate is passed, 100% is allocated to the general partner of the Blue Ocean Fund until the general partner of the Blue Ocean Fund has received 15% of net profits.

EnTrustPermal's Management Team

*Gregg S. Hymowitz, Chairman and Chief Executive Officer*

Gregg S. Hymowitz is Chairman and Chief Executive Officer of EnTrustPermal and Chair of EnTrustPermal's Global Investment Committee. Mr. Hymowitz was a Founder and the Managing Partner of EnTrust since its inception in April 1997 and the Chair of EnTrust's Investment Committee. Prior to the founding of EnTrust, Mr. Hymowitz was a Vice President at Goldman, Sachs & Co., which he joined in 1992. For the preceding two years, Mr. Hymowitz was an attorney in the mergers & acquisitions practice at Skadden, Arps, Slate, Meagher & Flom.

Mr. Hymowitz graduated cum laude from Harvard Law School with a Juris Doctorate in 1990, and received a B.A., Phi Beta Kappa, from the State University of New York at Binghamton in 1987. Mr. Hymowitz was the 1985 Harry S. Truman Scholar from New York, the 1987 British Hansard Society Scholar and the 2004 recipient of the Governor's Committee on Scholastic Achievement Award. Mr. Hymowitz currently serves on the Board of Trustees of Montefiore Medical Center, and he served two terms as a Trustee of the Riverdale Country Day School.

The Blue Ocean Fund is managed by the following individuals:

*Svein Engh, Managing Director*

Svein is a Managing Director of EnTrustPermal and serves as the Portfolio Manager of the firm's Blue Ocean Fund. Svein has nearly thirty years of global experience in financial services, predominantly in the Shipping and Offshore/Oil Services sectors. Among his various positions, Svein previously served as the Chief Executive Officer of Octavian Maritime Holdings, Inc. In 2012, Svein was selected to establish a new Shipping & Offshore business for CIT Group Inc. with a focus on growing a lending and leasing portfolio. Svein built a team of fifteen experienced shipping professionals at CIT. Svein holds a Bachelors and Masters of Business Administration from Ohio University, where he was the recipient of the Distinguished Professor's Scholarship and graduated with Honors.

*Omer Donnerstein, Senior Vice President*

Omer is a Senior Vice President of EnTrustPermal and serves as the Investment Analyst of the firm's Blue Ocean Fund. Prior to joining EnTrust, Omer was a Director & Group Head at CIT Maritime Finance overseeing CIT's financing activities in Maritime and Offshore. Prior to heading the Maritime team, Omer was responsible for CIT's maritime and offshore structured finance and lease transactions as well as developing the group's global relationships with financial institutions for primary and secondary opportunities. Prior to CIT, Omer was a Vice President at Octavian, a New York based special situation hedge fund, where he helped build and manage the fund's maritime investment portfolio. Omer received his MBA from The Wharton School, University of Pennsylvania, and also has a Bachelor of Laws (LL.B).

*Kristin Hafstad, Vice President*

Kristin is a Vice President of EnTrustPermal and serves as the Investment Analyst of the firm's Blue Ocean Fund. Kristin has extensive investment banking experience advising shipping and offshore clients on equity and debt transactions, asset sales, fairness opinions and strategic M&A. Prior to joining Entrust Capital she held positions with GMP, Clarksons and DNB in Oslo, New York, Houston and London. She also has experience from Argentum Private Equity, an asset manager specializing in Northern European

investments. Kristin holds a BSc in Economics and Business Administration and an MSc in Finance from the Norwegian School of Economics.

*Caridad ("Cary") Schweizer, Vice President*

Cary is a Vice President of EnTrustPermal and serves as the Loan Portfolio Manager of the firm's Blue Ocean Fund. Prior to joining Entrust, Cary spent three years as a Vice President in CIT's Maritime Finance Group. She was responsible for building out a Maritime specific loan portfolio management infrastructure which helped the Group grow from $250 million in assets when she joined to $1.8 billion. She managed all aspects of the loan funding, closing and administration process and served as the Group's liaison with CIT's support groups including legal, compliance, operations, finance and risk. Prior to CIT, Cary was with BNP Paribas/Fortis for 13 years, working in the Shipping & Offshore Group ("**S&O**"), where her role evolved from an Analyst in Relationship Management to a Vice President overseeing Portfolio Management. Cary was instrumental in integrating the S&O portfolio during the BNP Paribas / Fortis integration. In her role as Portfolio Manager, Cary played a key role in winding down the S&O portfolio as well as being responsible for client relationships in the US and Latin America. Cary received her BSc from The College of New Jersey in 1997 and her MBA in Finance from St. Thomas Aquinas College in 2012.

## WHO SHOULD INVEST

The Fund is designed to attract investment capital which is surplus to an investor's basic financial requirements. An investment in Units is intended to be a medium to long-term investment. The Manager has identified the investment risk level of the Common Units of the Fund as medium and the Preferred Units of the Fund as low to medium as an additional guide to help you decide whether an investment in the Fund is right for you.

The Manager's determination of the risk rating for the Fund is guided by both measurable and non-measurable factors. However, investors should be aware that other types of risk, both measurable and non-measurable, may exist. Additionally, just as historical performance may not be indicative of future returns, the Fund's historical volatility may not be indicative of its future volatility. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. See "*Risk Factors*".

The Fund is a mutual fund trust under the Tax Act, and as such Units are "qualified investments" under the Tax Act for Registered Plans. Annuitants of RRSPs, and RRIFs, holders of TFSAs and RDSPs, and such subscribers of RESPs should consult with their own tax advisors as to whether Units would be a "prohibited investment" under the Tax Act in their particular circumstances. See "*Canadian Income Tax Considerations and Consequences – Registered Plans*".

### Minimum Investment Criteria

Units are being offered on a continuous basis to investors resident in the provinces and territories of Canada who (a) are accredited investors under National Instrument 45-106 – *Prospectus Exemptions* ("**NI 45-106**"), as may be amended from time to time (an "**Accredited Investor**"), (b) are not individuals , are not residents of Alberta and that invest a minimum of $150,000 in the Fund, and (c) to whom Units may otherwise be sold ((a), (b) and (c) will be referred to as the "**Minimum Investment Criteria**"). In the event applicable securities legislation, regulations or rules change in the future such that one or more of the exemptions described above are no longer available, the Fund will cease offering Units pursuant to such

exemptions, but may continue offering Units to investors pursuant to other exemptions which are or remain available.

A list of criteria to qualify as an Accredited Investor is set out in the subscription agreement ("**Subscription Agreement**") delivered with this Offering Memorandum and generally includes individuals who have net assets of at least $5,000,000, or financial assets of at least $1,000,000, or personal income of at least $200,000, or combined spousal income of at least $300,000 in the previous two years with reasonable prospects of same in the current year, or an individual registered under the securities legislation of a jurisdiction of Canada as a representative of a registered adviser or dealer. NI 45-106 requires that individuals who invest on the basis that they are Accredited Investors (other than certain ultra high net worth individuals) must sign a Risk Acknowledgement Form, which is included in the Subscription Agreement.

Unless an investor can establish to the Manager's satisfaction that another exemption is available, this will generally require that each investor is investing as principal (and not for or on behalf of any other persons) and is either an Accredited Investor or is not an individual or a resident of Alberta and is investing a minimum amount of $150,000. This minimum amount is net of any initial sales commissions paid by an investor to his or her registered dealer. An investor (other than an individual) that is not an Accredited Investor, or is an Accredited Investor solely on the basis that they have net assets of at least $5,000,000, must also represent to the Manager (and may be required to provide additional evidence at the request of the Manager to establish) that such investor was not formed solely in order to make private placement investments which may not have otherwise been available to any persons holding an interest in such investor. Purchasers will be required to make certain representations in the Subscription Agreement and the Manager will rely on such representations to establish the availability of the exemptions. No subscription will be accepted unless the Manager is satisfied that the subscription is in compliance with applicable securities laws.

Irrespective of the foregoing, the minimum initial investment in Units is outlined below. See *"The Offering"*.

## THE UNITS

The Fund may issue an unlimited number of Units in an unlimited number of classes and series. Each issued and outstanding Unit of a class shall be equal to each other Unit of the same class with respect to all matters.

The interest of each holder of Units (a "**Unitholder**") in a class represents the same proportion of the total interest of all Unitholders of the applicable series in that class as the Net Asset Value of Units held by such Unitholder is of the total Net Asset Value of the series of the class.

The respective rights of the holders of Units of each series in a class will be proportionate to the Net Asset Value of such Series relative to the Net Asset Value of each other series in the same class. Each Unit carries with it a right to vote, with one vote for each $1.00 of Net Asset Value attributed to such Unit (the Net Asset Value of all Units held by a Unitholder shall be aggregated for the purpose of determining voting rights). Fractional Units may be issued.

On the first date on which a series of Units is issued, Units of that series will be issued at an opening net asset value of $50.00 (in the case of Common Units) and $10.00 (in the case of Preferred Units). On each successive date on which Units of that series are issued, the Units may be issued at a Net Asset Value per Unit calculated as described below.

All changes in Net Asset Value (i.e., all income and expenses, and all unrealized gains and losses) of the Fund will be borne proportionately by each series of a class of Units based on their respective Net Asset Values and based upon whether they receive distributions as Common Units or Preferred Units, except as follows: (i) subscription proceeds received by the Fund in respect of a series of Units shall accrue to the Net Asset Value of such series; (ii) all redemption proceeds paid out by the Fund in respect of a Unit of a series shall be deducted from the Net Asset Value of such series; and (iii) fees payable to the Manager and all other fees and expenses incurred in respect of a Unit of a series shall be deducted from the Net Asset Value of such series. The Net Asset Value per Unit of a series shall be calculated by dividing the Net Asset Value of such respective series by the number of Units of such series then outstanding.

The Manager may in its discretion create different classes and series of Units. Each class and series may be subject to different fees and may have such other features as the Manager may determine. The Manager may redesignate a Unitholder's Units from one series of a class to another series of the same class (and amend the number of such Units so that the Net Asset Value of the Unitholder's aggregate holdings remains unchanged).

## THE OFFERING

Units are being offered on a continuous basis to investors who meet the Minimum Investment Criteria. Units may be distributed through registered dealers (including the Manager in its capacity as an exempt market dealer).

To date, the Fund has created Common Units, issuable in Series A, F and O, and Preferred Units, issuable in Series AP and FP.

**Common Units**

- **Series A Units** are available to all investors who invest a minimum of $2,500.
- **Series F Units** are generally available to investors who invest a minimum of $2,500 and who purchase their Units through a fee-based account with their registered dealer.
- **Series O Units** may be issued to certain institutional or other investors who invest a minimum of $500,000.

**Preferred Units**

- **Series AP Units** are available to all investors who invest a minimum of $5,000.
- **Series FP Units** are generally available to investors who invest a minimum of $5,000 and who purchase their Units through a fee-based account with their registered dealer.

The initial minimum investment in the Units may be adjusted or waived in the Manager's absolute discretion and without notice to investors. There are additional costs associated with investment in Units. See *"Fees and Expenses"* and *"Dealer Compensation"*.

With respect to distributions, the Common Units and Preferred Units are, to a certain extent, comparable to common shares and preferred shares, respectively, of a corporation. The Preferred Units pay or accrue a monthly distribution (which accrues if it is unpaid) equal to the "Preferred Return"

expressed as an annualized percentage (the "**Preferred Return**") of the Preferred Unitholder's subscription price (the "**Preferred Unit Investment Amount**") which will range from the Royal Bank of Canada Prime Rate (the "**Prime Rate**") to no more than the cost of unsecured debt available to the Partnership, as adjusted by the Manger from time to time as more particularly described under *"Distributions"*. The Preferred Return is paid in preference to distributions on the Common Units. The Common Units receive a distribution following the payment of Preferred Return, which is not capped (unlike the Preferred Return). The distribution on the Common Units is variable and may be higher or lower than the distribution on the Preferred Units depending upon the cash flow of the Fund's underlying investments. All distributions are paid after the payment of fund expenses, including interest and principal payments on indebtedness. See *"Distributions"*, *"Fees and Expenses"* and *"Net Asset Value"*.

With respect to sharing in the assets of the Fund upon dissolution, the Common Units and Preferred Units are, to a certain extent, comparable to common shares and preferred shares, respectively, of a corporation. Upon the liquidation of the Fund and a distribution of its assets to stakeholders, the Preferred Units will rank behind all general creditor claims and any prime brokerage or other borrowing facilities and they will rank ahead of the Common Units. Upon the liquidation of the Fund and the payment of all amounts to satisfy the Fund's liabilities and applicable reserves, the Preferred Units are entitled to receive only an amount equal to the Preferred Unit Investment Amount and any accrued but unpaid Preferred Return. Thereafter the holders of Common Units are entitled to receive the remainder of the assets of the Fund.

## SUBSCRIPTIONS

### Minimum Initial and Additional Subscriptions

The minimum initial subscription for an investor is as described under *"The Offering"*.

Each additional investment must be in an amount that is not less than $500 or such other amount as the Manager may determine in its discretion. For investors who are not Accredited Investors, the additional investment must be in an amount that is not less than $500 if the investor initially acquired Units for an acquisition cost of not less than $150,000 and, at the time of the additional investment, the Units then held by the investor have an acquisition cost or a net asset value equal to at least $150,000, or another exemption is available.

These minimums are net of any initial sales commissions paid by an investor to his or her registered dealer.

### Subscription Procedure

Subscriptions for Units must be made by completing and executing the Subscription Agreement and by forwarding such form together with payment by the options as outlined therein to CIBC Mellon Global Securities Services Company (the "**Administrator**").

Subscriptions will be processed monthly on each last business day (that is, the last business day on which the Toronto Stock Exchange is open for trading) of each month on the Valuation Date and such other business day or days as the Manager may in its discretion designate.

Units of the Fund can be purchased directly through an authorized registered dealer (including the Manager in its capacity as an exempt market dealer). An investor may purchase Units by sending the

purchase amount to his or her registered dealer. The price of a Unit is the Net Asset Value per Unit determined on the applicable Valuation Date.

Orders must be accompanied by a Subscription Agreement in acceptable form and be received by the Administrator either directly from an investor or from an investor's registered dealer no later than 4:00 p.m. (Toronto time) on the 20th calendar day of the month (or the preceding business day if the 20th calendar day falls on a non-business day) or such other business day as the Manager in its discretion designates (the "**Subscription Date**") in order for the subscription to be accepted as at the current month's Valuation Date; otherwise the subscription will either be rejected (if the Subscription Agreement is not accepted) or processed as at the next month's Valuation Date (if accepted but received later than required).

Payment for subscriptions must be received by the Administrator no later than one business day following the Valuation Date.

All subscriptions for Common Units will be made through the purchase of interim subscription units at a fixed Net Asset Value per Unit of $50. Subject to the foregoing and following the calculation of the Net Asset Value of each series of Units on the applicable Valuation Date, the interim subscription units will be automatically switched into the appropriate number of Units of the applicable series of Units as per each Unitholder's Subscription Agreement. The number of Units of the applicable series will be the amount paid for the Units (less any sales commissions) divided by the applicable series Net Asset Value per Unit determined as at the applicable Valuation Date following which the subscription is accepted. An initial purchase confirmation will be issued once payment is received confirming receipt of the interim subscription while a subsequent confirmation will confirm the final number of Units issued upon acceptance as a Unitholder. The number of interim subscription units will be different from the final number of Units purchased. These interim subscription units are not redeemable.

A subscription for Preferred Units will be made at the series Net Asset Value per Unit of that series on the first Valuation Date following acceptance of that subscription. The number of Units of the applicable series will be the amount paid for the Units (less any sales commissions) divided by the applicable series Net Asset Value per Unit determined as at the Valuation Date following acceptance of that subscription. A purchase confirmation will be issued once payment is received to confirm the number of Units that were issued where the subscription is accepted.

Subscription funds provided prior to a Valuation Date will remain at your dealer until the Valuation Date. Subscriptions for Units are subject to acceptance or rejection in whole or in part by the Manager in its absolute discretion. In the event a subscription is rejected, any subscription funds received by the Administrator will be returned without interest or deduction.

**Pre-authorized Chequing Plan**

Units of the Fund can be purchased by making monthly investments through a pre-authorized chequing plan ("**PAC Plan**"). For details of the minimum investment, see *"Subscriptions – Minimum Initial and Additional Subscriptions"*. The Manager may stop an investor's PAC Plan if a payment is not made when due and may change or discontinue this service at any time. A PAC Plan can be cancelled at any time upon five business days' notice to the Manager.

## SWITCHES OF UNITS

Subject to the consent of the Manager, Unitholders may switch all or part of their investment in the Fund from one series of Units of a Class to another series of the same Class if the Unitholder is eligible to

purchase that series of Units. Upon a switch from one series of Units to another series, the number of Units held by the Unitholder will change since each series of Units has a different Net Asset Value per Unit.

Generally, switches between series of a class of Units are not dispositions for tax purposes. However, Unitholders should consult with their own tax advisors regarding any tax implications of switching between series of a class of Units.

Subject to the consent of the Manager and a Subscription Agreement in acceptable form and received by the Administrator, Unitholders may switch all or part of their investment in the Preferred Units to Common Units if the Unitholder is eligible to purchase that Class or series of Units. Upon a switch from Preferred Units to Common Units, the number of Units held by the Unitholder will change since each series of each Class of Units has a different Net Asset Value per Unit.

Generally, switches between one Class of Units to another Class are dispositions for tax purposes. However, Unitholders should consult with their own tax advisors regarding any tax implications of switching between classes of Units.

## TRANSFER OR RESALE

A Unitholder may, without charge and with the consent of the Manager, transfer all or any of the Units owned by him or her by delivering to the Administrator a request for transfer in a form acceptable to the registrar and transfer agent of the Fund, together with such evidence of the genuineness of each such endorsement execution and authorization and of such other matters (including that the transfer is being made in compliance with all applicable securities legislation) as may be reasonably required by such registrar and transfer agent. See "*Administrator*". A transfer will not be effective unless and until it is recorded on the register of Unitholders. Unitholders should consult with their own tax advisors regarding any tax implications in connection with transferring Units.

Subscribers are advised to consult with their advisers concerning restrictions on resale and are further advised against reselling their Units until they have determined that any such resale is in compliance with the requirements of applicable legislation and the Declaration of Trust. Redemptions of Units in accordance with the provisions set up herein is likely to be the only means of liquidating an investment in the Fund.

## REDEMPTIONS

An investment in Units is intended to be a medium to long-term investment. Unitholders may redeem their Units, however, on any Valuation Date by submitting a request for redemption, in a form acceptable to the Administrator through their registered dealer or directly to the Administrator no later than the day that is 60 days prior to the Valuation Date in order for the redemption to be accepted as at that Valuation Date; otherwise the redemption will be processed as at the next Valuation Date. The 60 day notice period may be waived at the discretion of the Manager.

The redemption price shall equal the Net Asset Value per Unit of the applicable series of Units being redeemed, determined as of the close of business on the relevant Valuation Date as described under the section "*Net Asset Value*" (which in the case of Preferred Units would be equal to the Preferred Unit Investment Amount plus any accrued but unpaid Preferred Return). Unless redemptions have been suspended (which may only occur in the circumstances set out below), payment of redemption proceeds will be made by the Manager within 10 business days following the relevant Valuation Date.

Redemptions of the Common Units within 36 months of initial purchase are subject to a redemption fee. See *"Fees and Expenses"*.

The Fund may suspend the redemption of Units or postpone the date of payment of redeemed Units (a) for any period when normal trading is suspended on any stock, options, futures or other exchange or market within or outside Canada on which securities are listed and traded, or on which permitted derivatives are traded, which represent more than 50% by value or underlying market exposures of the public securities of the Fund, without allowance for liabilities or (b) at any time that the Manager is unable to value or dispose of the assets of the Fund. In case of a suspension of a right of redemption, a Unitholder will receive redemption proceeds based on the Net Asset Value per Unit on the first Valuation Date following the termination of the suspension unless the redemption request has been withdrawn earlier by the Unitholder.

The Manager has the right to require a Unitholder to redeem some or all of the Units owned by such Unitholder on a Valuation Date at the Net Asset Value per Unit thereof (which in the case of Preferred Units would be equal to the Preferred Unit Investment Amount plus any accrued but unpaid Preferred Return), by notice in writing to the Unitholder given at least 10 business days before the designated Valuation Date, which right may be exercised by the Manager in its absolute discretion.

The Manager is not required to redeem any Units on a pro-rata basis and may redeem out any series without being obligated to redeem any Preferred Units of another series.

## DISTRIBUTIONS

The Manager's current intention is to make monthly distribution payments to Unitholders. Distribution payments may be paid after payment of the Fund's expenses, including interest and payment on indebtness, and proving for any required reserves. Payments to holders of Common Units are variable and will not be cumulative.

The monthly distribution amount accruing to holders of Preferred Units shall be equal to 1/12 of the Preferred Return applicable to the Preferred Units Series, as determined by the Manager. The Preferred Return will range from the Prime Rate to no more than the cost of unsecured debt available to the Partnership. The Preferred Return will initially be based on the Prime Rate in effect on March 31, 2018. Thereafter, the Preferred Return will be reviewed by the Manager quarterly. The Preferred Return will change quarterly after the Prime Rate changes by 50 basis points or more on an absolute basis. The Manager may, at its discretion change the Preferred Return quarterly after the Prime Rate changes by less than 50 basis points on an absolute basis. The Manager will post the current Preferred Return on the Fund's website at www.portlandic.com/privateincome.html.

The Fund will annually distribute sufficient net income and net realized capital gains (reduced by a capital gains refund or loss carry forwards, if any) in each calendar year to ensure the Fund is not liable for ordinary income taxes. Notwithstanding the foregoing, distributions may be a combination of income, capital gains and return of capital. See *"Canadian Income Tax Considerations and Consequences"*.

All distributions by the Fund on Units will be automatically reinvested in additional Units of the same series of the Fund held by the Unitholder at the Net Asset Value thereof, unless the Unitholder notifies the Manager in writing that it wishes to receive such distributions in cash.

Distributions are subject to the Fund's cash flow and may be suspended or reduced. See *"Risk Factors"*.

## NET ASSET VALUE

The Net Asset Value of the Fund and the Net Asset Value per Unit of each series of Units will be determined as of 4:00 p.m. (Toronto Time) on each Valuation Date by the Administrator in accordance with the Declaration of Trust.

The Net Asset Value per Unit of each series shall be determined (after deduction of series-specific fees, expenses and other deductions) by dividing the Net Asset Value of each series by the number of Units of such series outstanding.

All of the Fund's fees and expenses, including the Preferred Return, are allocated to the Common Units of the Fund and thus all of the Fund's fees and expenses affect the Net Asset Value of the Common Units. In addition, different series of Common Units have different commissions, trailer fees and expenses allocated to them as described under "*Fees and Expenses*".

The Net Asset Value of the Preferred Units is equal to the Preferred Unit Investment Amount.

**Valuation Principles**

The assets and liabilities in the Fund will be carried at fair value, which is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties under no compulsion to act. In determining the fair value of the assets of the Fund, the following rules shall be applied:

- the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest, declared or accrued and not yet received, shall be deemed to be the full amount thereof, unless the Manager has determined that any such deposit, bill, demand note or account receivable is not worth the full amount thereof, in which event the value thereof shall be deemed to be such value as the Manager, or third party engaged by the Manager, determines to be the reasonable value thereof;

- short-term loans and mortgages contemplated herein are valued at cost plus accrued interest, which the Manager, or third party engaged by the Manager, believes approximates fair value, provided there are no impairments. The Manager, or third party engaged by the Manager, will consider, but not be limited in considering, the following as part of its assessment for any impairments in the value of such investments: market interest rates, credit spreads for similar loans, and the creditworthiness and status of a borrower, including its payment history, the value of underlying property securing the short term loans and mortgages, overall economic conditions, status of construction or property development, if applicable, and other conditions specific to the underlying property or holding;

- the value of short-term income securities shall be that which, in the opinion of the Manager, or third party engaged by the Manager, reflects their fair value;

- long term mortgages and private commercial loans (including but not limited to first and second lien senior loans, term mezzanine debt and bridge loans consisting of senior and subordinated debentures plus participation rights) (collectively "**long term loans**") do not trade in the actively quoted markets. The Manager, or third party engaged by the Manager, may use certain valuation techniques, including but not limited to discounted cash flows, in estimating the fair value of such long term mortgages and private commercial loans. The process of valuing investments for which

no published market exists will inevitably be based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investment. Determination of fair value will take into consideration a variety of factors including, but not limited to, the term to maturity of the loan, the market interest rate of similar loans, the value of any participation rights, whether it has a fixed or floating rate, any known impairment, the creditworthiness and status of a borrower, including its payment history and the value of any property securing the long term loans, overall economic conditions, status of construction or property development, if applicable and other conditions specific to the underlying property or holding;

- the value of any share, subscription right, warrant, option, future or other equity security which is listed or dealt upon a stock exchange shall be determined by taking the exchange specific closing or the latest available sale price (or lacking any sales or any record thereof, a price not higher than the latest available asked price and not lower than the latest available bid price as the Manager, or third party engaged by the Manager, may from time to time determine) on the day as of which the Net Asset Value or Net Asset Value per Unit is being determined;

- the value of inter-listed securities shall be computed in a manner which in the opinion of the Manager, or third party engaged by the Manager, most accurately reflects their fair value;

- the value of any bond, time note, debt-like security, share, unit, subscription right, clearing corporation options, options on futures, over-the-counter options or other security or other property which is not listed or dealt on a stock exchange shall be determined on the basis of such price quotations which, in the opinion of the Manager, or third party engaged by the Manager, best reflect its fair value. If no quotations exist for such securities, value shall be the fair value thereof as determined from time to time in such manner as the Manager, or third party engaged by the Manager, may determine;

- the value of any restricted securities, as defined in NI 81-102, shall be that which, in the opinion of the Manager, or third party engaged by the Manager, best reflects their fair value;

- the value of any Underlying Funds which are not listed or dealt upon an exchange shall be the most recently available net asset value or such estimates as are readily available from the issuer, which in the case of an Underlying Fund, such estimates may only be provided quarterly and may be delayed by one month or more;

- any premium received by the Fund for a written covered clearing corporation option, option on futures or over-the-counter option shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. The deferred credit shall be deducted in arriving at the Net Asset Value of the Fund or a series of the Fund. The securities, if any, which are the subject of a written clearing corporation option or over-the-counter option shall be valued in accordance with the provisions of this paragraph;

- forward contracts shall be valued according to the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract was to be closed out unless daily limits are in effect, in which case fair value shall be based on the current market value of the underlying interest;

- all assets of the Fund valued in terms of foreign currency, funds on deposit and contractual obligations payable to the Fund in foreign currency and liabilities and contractual obligations payable by the Fund in foreign currency shall be taken at the current rate of exchange obtained from the best available sources by the Administrator in consultation with the Manager, or third party engaged by the Manager. "Foreign currency" for the purpose of this section is currency other than Canadian currency; and

- if, in the opinion of the Manager, or third party engaged by the Manager, the above valuations do not properly reflect the prices which would be received by the Fund upon the disposal of shares or securities necessary to effect any redemption or redemptions, the Manager, or third party engaged by the Manager, may place such value upon such shares or securities as appears to it to most closely reflect the fair value of such shares or securities.

The Manager has the discretion to deviate from the Funds' valuation principles set out above if the Manager, or third party engaged by the Manager, believes these principles do not result in fair value of the assets and liabilities of the Fund.

The liabilities of each Fund shall be deemed to include:

- the Preferred Units, which will be valued at the lessor of $10.00 per Unit or the Net Asset Value of the Fund divided by the number of issued and outstanding Preferred Units as of the previous Valuation Date;

- all bills, notes and accounts payable;

- all expenses incurred or payable by the Fund;

- all contractual obligations for the payment of money or property, including the amount of any declared but unpaid distributions;

- all allowances and reserves applicable to the valuation of the pool of mortgages and loans in consideration of overall credit worthiness of said pool, including potential or known default, as determined by the Manager, or third party engaged by the Manager, from time to time;

- all allowances authorized or approved by the Manager for taxes or contingencies; and

- all other liabilities of the Fund or series of the Fund of whatsoever kind and nature, except liabilities represented by outstanding Common Units and the balance of any undistributed net income or capital gains associated there within.

**Differences from International Financial Reporting Standards**

The Manager may determine such other rules as they deem necessary from time to time, which rules may deviate from International Financial Reporting Standards ("**IFRS**"), provided that such deviations are in the best interest of the Fund and are consistent with industry practices for investment funds similar to the Fund.

Net Asset Value of the Fund is calculated in the foregoing manner will be used for the purpose of calculating the Manager's (and other service providers') fees except as otherwise disclosed under "*Fees and Expenses*" and will be published net of all paid and payable fees. Such Net Asset Value will be used to determine the subscription price and redemption value of Units. To the extent that such calculations are

not in accordance with IFRS, the financial statements of the Fund will include a reconciliation note explaining any difference between such published Net Asset Value and Net Asset Value for financial statement reporting purposes (which must be calculated in accordance with IFRS).

## FEES AND EXPENSES

### General

All of the Fund's fees and expenses, including the Preferred Return, are allocated to the Common Units of the Fund. In addition, different series of Common Units have different commissions, trailer fees and expenses allocated to them as described below. The Preferred Units do not receive any allocation of fees or expenses of the Fund because the Preferred Units only entitle the holder to the Preferred Return and a return of the Preferred Unit Investment Amount. In contrast, the Common Units entitle the holder to the Fund's income after payment of all fees, expenses, the Preferred Return and the return of any amount of the Preferred Unit Investment Amount.

### Management Fees

The Manager will be entitled to receive a monthly management fee (the "**Management Fee**"), calculated and accrued on each Valuation Date and paid monthly in an amount that is equal to the aggregate of:

- 1/12 of 0.50% of the Net Asset Value of the Series A Units, plus an amount equal to the Trailing Commission on such Units (as defined below under *"Dealer Compensation – Trailing Commission"*) payable by the Manager to registered dealers, plus

- 1/12 of 0.50% of the Net Asset Value of the Series F Units,

(determined before deduction of Management Fees allocable to such Units but after the deduction of the Preferred Return).

Series O Unitholders will be charged a negotiated fee and it shall be payable by each Series O Unitholder (not the Fund) directly to the Manager.

All Management Fees and Trailing Commission payable by the Fund to the Manager are subject to HST (and other applicable taxes) and will be deducted as an expense of the applicable class and series of Common Units in the calculation of the Net Asset Value of such class and series of Units.

The Manager will be entitled to receive a monthly fee from the Fund for the management of the Preferred Units (the "**Preferred Units Management Fee**"), calculated and accrued on each Valuation Date and paid monthly in an amount that is equal to the aggregate of:

- 1/12 of 0.50% of the value of the outstanding Series AP Units (excluding any Preferred Return), plus an amount equal to the Trailing Commission on such Units (as defined below under *"Dealer Compensation – Trailing Commission"*) payable by the Manager to registered dealers, plus

- 1/12 of 0.50% of the value of the outstanding Series FP Units (excluding any Preferred Return).

The Preferred Units Management Fees and associated Trailing Commission payable by the Fund to the Manager are subject to HST (and other applicable taxes) and will be deducted as an expense of the in the calculation of the Net Asset Value of the Fund and the Net Asset Value of the Common Units. See *"Net Asset Value"*.

**Operating Expenses**

Each of the Fund and the Partnership is responsible for, and the Manager is entitled to reimbursement from the Fund or Partnership, as applicable, for all costs and operating expenses actually incurred by them in connection with the ongoing activities of the Fund or Partnership, as applicable, including, but not limited to:

(i) third party fees and administrative expenses of the Fund or Partnership, as applicable, which include accounting and legal costs, fees payable to the Mortgage Administrator, independent review committee fees, insurance premiums, custodial fees, registrar and transfer agency fees and expenses, bookkeeping and recordkeeping costs, Unitholder communication expenses, the cost of maintaining the Fund's or Partnership's existence, regulatory fees and expenses, all reasonable extraordinary or non-recurring expenses and applicable GST or HST; and

(ii) fees and expenses relating to the Fund's or Partnership's portfolio investments, including the cost of securities, interest on borrowings, commitment fees, related expenses payable to lenders and counterparties including possible fees charged by a Specialty Investment Manager relating to co-investments, brokerage fees, commissions and expenses, and banking fees.

The Manager may allocate and charge to the Fund time spent by its personnel or the personnel of its affiliates for functions that pertain to the operating activities outlined above. Such amounts will be determined based on fully allocated costs without a markup. The Manager may bear some of the Fund's or Partnership's expenses from time to time, at its option.

Operating expenses of the Partnership shall be the responsibility of the Partnership and will be reflected in the Net Asset Value of the Partnership.

To the extent the Fund invests in the Partnership, it will indirectly bear the fees and expenses incurred by the Partnership. However, the Fund will not pay a management or incentive fee that would duplicate a fee payable by the Partnership for the same service. In addition, the Fund will not pay any sales charges or redemption fees for its purchase or redemption of units of the Partnership.

**Set Up Costs**

The Fund is responsible for, and the Manager is entitled to reimbursement from the Fund for, all costs associated with the creation and organization of the Fund. Such set up costs were charged to the Fund over a period of three years, on a pro-rata basis commencing with the first fiscal year end following the launch of the Fund. Set up costs associated with the issuance of Preferred Units which are expected to be approximately $50,000 will be allocated and payable by the Fund and amortized over five years commencing the month following the first issuance of such Preferred Units or January 31, 2019, whichever occurs last.

**Redemption Fees**

If a holder of Common Units redeems his or her units within the first 18 months from each purchase, the Manager may, in its discretion, charge a redemption penalty equal to 5% of the Net Asset Value of such Units redeemed which will be deducted from the redemption proceeds and retained by the Fund.

If a holder of Common Units redeems his or her units after 18 months to 36 months from each purchase, the Manager may, in its discretion, charge a redemption penalty equal to 2% of the Net Asset

Value of such Units redeemed which will be deducted from the redemption proceeds and retained by the Fund.

There is no redemption fee upon the redemption of Preferred Units. For Unitholders that switch from Preferred Units to Common Units, the redemption penalty described above will be applicable and the initial purchase date of the Common Units for calculating the redemption penalty will be the date the Units were switched, not the initial purchase date of the Preferred Units.

**Underlying Funds and Fee Rebates**

The Partnership may invest in Underlying Funds. Underlying Funds may be charged management fees, performance fees, carried interest, trailing commission and other expenses. There may be duplication of management fees on investments in Underlying Funds. Where possible, the Manager will negotiate for a reduced fee or a rebate of same on its investment in Underlying Funds. In addition, the Partnership will not pay management or performance fees on investments in securities of any Underlying Fund that is a fund managed by Portland, or that, to a reasonable person, would duplicate a fee payable by an investor in the Fund.

## DEALER COMPENSATION

When investors purchase Units, their registered dealers receive two primary types of compensation – initial sales commission and trailing commission. Initially, registered dealers may be paid a negotiable sales commission by investors in the Fund. Thereafter and on behalf of the Fund, the Manager will arrange to pay a monthly trailing commission to participating registered dealers.

There is no commission payable by a purchaser to the Manager upon the purchase of the Units. Subscribers may pay negotiated initial sales commissions to their registered dealers (minimum investment requirements are net of any such fees).

**Initial Sales Commission**

For Series A Units, the registered dealer which distributes such Units may charge investors an initial sales commission of up to 10% (up to $100 for each $1,000 investment) of the value of the Units purchased. For Series AP Units, the registered dealer which distributes such Units may charge investors an initial sales commission of up to 6% (up to $60 for each $1,000 investment) of the value of the Units purchased.

No initial sales commission is paid in respect of Series F, Series FP or Series O Units.

**Trailing Commission**

The Manager will collect from the Fund and pay to registered dealers a trailing commission (the "**Trailing Commission**") equal to 1.00% per annum of the Net Asset Value of the Series A Units and Series AP Units held in each registered dealer's client accounts. The Trailing Commission will assist registered dealers in providing Unitholders with continuing advice and service. The Manager may, at its discretion, negotiate, change the terms and conditions of, or discontinue the Trailing Commission with registered dealers.

No Trailing Commission is paid in respect of Series F, Series FP or Series O Units.

The Trailing Commission is calculated and paid to registered dealers monthly. Notwithstanding the foregoing, the Manager, in its absolute discretion, reserves the right to change the frequency of payment of the Trailing Commission to registered dealers to a quarterly or annual basis. The Trailing Commission is determined by the Manager and may be changed at any time. It is expected that registered dealers will pay a portion of the Trailing Commission to sales representatives as compensation for providing ongoing investment advice and service to their clients.

**Sales Incentives**

In addition to the initial sales commission and Trailing Commission listed above, the Manager may share the costs of local advertising, dealer training seminars or other marketing or sales-related expenses with registered dealers to better serve their clients. The Manager may also provide dealers non-monetary benefits of a promotional nature and of minimal value and may engage in business promotion activities that result in dealers' sales representatives receiving non-monetary benefits. The cost of these activities incurred by them will be paid by the Manager and not the Fund. The Manager may change the terms and conditions of these programs, or may stop them, at any time.

## MANAGEMENT AGREEMENT

In order to set out the duties of the Manager, the Fund has entered into a master management agreement with the Manager first dated October 22, 2012 and amended and restated on December 13, 2013, as amended and the Partnership has entered into a management agreement with the Manager dated December 17, 2012, as may be amended from time to time (collectively referred to as the "**Management Agreement**"). Pursuant to the Management Agreement, the Manager shall direct the affairs of each of the Fund and the Partnership and provide day-to-day management services to the Fund and the Partnership, including management of the Fund's and the Partnership's portfolios on a discretionary basis and distribution of the Units of the Fund and the Partnership, and such other services as may be required from time to time. The Manager may delegate certain of these duties from time to time.

For its services to the Fund, the Manager receives Management Fees (accrued on each Valuation Date and paid monthly) which are unique to each series of Units. See "Fees and Expenses – Management Fees".

The Manager is entitled to reimbursement for any expenses of the Fund and the Partnership incurred by the Manager, but may choose to bear some of the Fund's and Partnership's expenses from time to time.

The Management Agreement may be terminated by either the Fund and the Partnership or the Manager on 30 days' notice to the other parties, or immediately in the event of the dissolution or insolvency or bankruptcy of the other party or the termination of the Declaration of Trust.

## ADMINISTRATOR

The Manager has retained the Administrator, from its principal offices in Toronto, Ontario, to carry out certain administrative services for the Fund and the Partnership. The administrative services consist of fund accounting, Net Asset Value calculations, transfer agency, unitholder recordkeeping, tax preparation, client statements and client servicing. This includes processing of all subscriptions and redemptions and calculating and processing all income and capital gains distributions. In this capacity, the receipt by the Administrator of any document pertaining to the purchase, redemption or switching of Units will be considered to be the receipt by the Fund and the Partnership.

## CUSTODIAN AGREEMENT

The Fund and the Partnership have entered into an agreement for custodial services with CIBC Mellon Trust Company located in Toronto, Ontario, dated August 13, 2015, as may be amended (the "**Custodian Agreement**"). As custodian, CIBC Mellon Trust Company may hold cash and securities of the Fund. The Custodian Agreement may be terminated upon at least 60 days' prior written notice by the Manager or 120 days prior written notice by the Custodian.

## PRIME BROKER AND/OR CUSTODIAN AGREEMENT

The Partnership may appoint a prime broker and/or custodian in respect of the Partnership's portfolio transactions (the **"Prime Broker"**). All margin borrowings must be from arm's length financial institutions and must be on normal commercial terms. The Prime Broker will provide borrowing and/or prime brokerage services to the Partnership under the terms of an account agreement (the "**Prime Broker Agreement**"). These services may include the provision to the Partnership of trade execution, settlement, reporting, securities financing, stock borrowing, stock lending, options, foreign exchange and banking facilities, and are provided solely at the discretion of the Prime Broker. The Partnership may also utilise other brokers and dealers for the purposes of executing transactions for the Partnership. The Prime Broker assumes possession of and a security interest in the assets in accordance with the terms of the Prime Broker Agreement. Assets not required as margin on borrowings are required to be segregated (from the Prime Broker's own assets) but the Partnership's assets may be commingled with the assets of other clients of the Prime Broker. Furthermore, the Partnership's cash and free credit balances on account with the Prime Broker are not segregated and may be used by the Prime Broker in the ordinary conduct of its business, and the Partnership is an unsecured creditor in respect of those assets. The Partnership may request delivery of any assets not required by the Prime Broker for margin or borrowing purposes.

## LOAN FACILITY

The Partnership may borrow for the purposes of making investments, providing cover for the writing of options, paying redemptions, working capital purposes and to maintain liquidity in accordance with its investment objective and investment strategies and to pledge its assets to secure the borrowings. The Manager, on behalf of the Partnership, may from time to time enter into a loan facility and will not borrow an amount exceeding 25% of the total assets of the Partnership after giving effect to such borrowing. The interest rate, fees, and expenses under a loan facility are expected to be typical of similar credit facilities and prime brokerage accounts of this nature. In the event that the amount borrowed exceeds 25% of the total assets of the Partnership, after giving effect to such borrowing, assets of the Partnership will be sold and the amount borrowed reduced to less than 25% of the total asset of the Partnership. The Partnership may borrow from the Manager or its affiliates. See "*Risk Factors – Risks Associated with the Fund and/or Partnership's Investments and Strategies – Leverage*".

## MORTGAGE LICENSING AND LEGISLATIVE REGIME

Mortgage brokerages in Ontario are currently regulated under MBLAA. The MBLAA is administered by the Ontario Ministry of Finance through the Financial Services Commission of Ontario ("**FSCO**") and regulates mortgage brokerages which must be licensed under the MBLAA. Under the MBLAA, a "mortgage brokerage" is a person who carries on the business of dealing in mortgages in Ontario. A person is considered to be "dealing in mortgages in Ontario" when such person engages in any of the following activities in Ontario, or holds itself out as doing so:

a) soliciting another person or entity to borrow or lend money on the security of Real Property;

b) providing information about a prospective borrower to a prospective mortgage lender, whether or not the MBLAA governs the lender;

c) assessing a prospective borrower on behalf of a prospective mortgage lender, whether or not the MBLAA governs the lender;

d) negotiating or arranging a mortgage on behalf of another person or entity, or attempting to do so; or

e) engaging in such other activities as may be prescribed under the MBLAA.

As neither the Partnership, the Fund nor the Manager will be licensed under the MBLAA, neither the Partnership, the Fund nor the Manager can engage directly in the business of dealing in mortgages in Ontario, and must therefore engage a licensed mortgage brokerage and mortgage administrator to conduct mortgage investment activities. The Partnership, the Fund and the Manager have engaged the Mortgage Administrator to service and administer mortgages on behalf of the Partnership and the Fund.

A mortgage brokerage must obtain a license issued by the Superintendent of Financial Services (the "**Superintendent**") who is the chief executive officer of FSCO. These licenses are for a term of two years and are subject to a fee established by the Minister of Finance. The Mortgage Administrator, which will perform mortgage brokerage services through its carrying broker, Clarity Mortgage Inc. on behalf of the Partnership and the Fund pursuant to the Mortgage Administration and Services Agreement, currently holds a valid license under the MBLAA sufficient to permit it to carry on the activities contemplated in the Mortgage Administration and Services Agreement and operates in compliance with the requirements of the MBLAA. The Mortgage Administrator's license under the MBLAA qualifies it to syndicate mortgage loans.

The Superintendent has wide authoritative power over mortgage brokerages, including the power to grant or renew licenses, to revoke licenses, to attach conditions to a license, to investigate complaints made regarding the conduct of registered mortgage brokerages, and to accept or reject a prospectus submitted by a registered mortgage brokerage as required under the MBLAA when dealing in certain property located outside of Ontario.

Under the MBLAA and its regulation there are several requirements a mortgage brokerage must meet in order to obtain or renew a license. The MBLAA also imposes a continuing obligation on registered mortgage brokerages to remain in compliance with the MBLAA, failing which the Superintendent may revoke the license.

Generally, a mortgage brokerage will not be granted a license or a renewal of a license if, having regard to the financial position of the mortgage brokerage, it could not reasonably be expected that the mortgage brokerage would be financially responsible in the conduct of its business. In addition, a license will not be granted or renewed if the past conduct of the applicant is such that it provides reasonable grounds for the Superintendent to believe that the mortgage brokerage will not conduct business legally and with integrity and honesty. In the case of a corporate mortgage brokerage, the Superintendent will look to the past conduct of the directors and officers of the corporation.

Subject to certain exceptions, every individual mortgage broker and active officers and directors of a corporate mortgage brokerage must complete an education program approved by the Superintendent.

Mortgage brokerages are regulated provincially and as such the licensing and registration

requirements vary by province. The Mortgage Administrator has taken all necessary steps to see it is in compliance with all relevant licensing and registration requirements in all provinces where it conducts business.

In April 2017, the Ontario provincial government moved to tighten oversight of syndicated mortgage investments and announced that it will transfer responsibility for the syndicated mortgage sector away from FSCO and to the Ontario Securities Commission ("**OSC**"). The shift of oversight to the OSC is consistent with the way syndicated mortgage products are regulated in other provinces.

## MORTGAGE ADMINISTRATION AND SERVICES AGREEMENT

The Partnership and Fund have each engaged MZG Inc. as a Mortgage Administrator to service and administer mortgages on behalf of the Partnership and Fund and provide certain other services pursuant to a mortgage administration and services agreement (the "**Mortgage Administration and Services Agreement**") which may be amended from time to time.

The following is intended to be only a summary of the provisions of the Mortgage Administration and Services Agreement and does not purport to be complete. A copy of the Mortgage Administration and Services Agreement will be provided to each prospective purchaser on request in writing to the Manager. All capitalized terms in this section not otherwise defined herein shall have the meaning as set out in the Mortgage Administration and Services Agreement.

### Services

Pursuant to the Mortgage Administration and Services Agreement, the Mortgage Administrator is required, among other things, to:

- provide or arrange all clerical, accounting and administrative functions and maintain or arrange for the maintenance of books and records in connection with the Partnership and/or Fund's mortgage investments;

- arrange for office space and equipment and the necessary executive, clerical and secretarial personnel for the administration of the day-to-day operations of the Mortgage Administrator;

- investigate, select and conduct relations with consultants, borrowers, lenders, mortgagors and other mortgage and mortgage investment participants, accountants, originators or brokers, correspondents and mortgage administrators, technical advisors, lawyers, underwriters, brokers and dealers, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents, banks, investors, builders and developers; to employ, retain and supervise such persons and the services performed or to be performed by such persons in connection with the Partnership and/or Fund's mortgage investments and to substitute any such party or itself for any other such party or for itself;

- act on behalf of the Partnership and/or Fund as its nominee or agent in connection with acquisitions or dispositions of the Partnership and/or Fund's mortgage investments, the execution of deeds, mortgages or other instruments in writing for or on behalf of the Partnership and/or Fund and the handling, prosecuting and settling of any claims of the Partnership and/or Fund relating to the Partnership and/or Fund's mortgage investments including the foreclosure or other enforcement of any mortgage, lien or other security interest securing the Partnership and/or Fund's interests;

- provide those services as may be required in connection with the collection, handling, prosecuting and settling of any claims of the Partnership and/or Fund with respect to the Partnership and/or Fund's beneficial ownership in each mortgage, including foreclosing and otherwise enforcing mortgages and other liens and security interests securing the Partnership and/or Fund's interests;

- service and administer mortgages throughout their term on behalf of the Partnership and/or Fund, including holding the Partnership and/or Fund's interest in a mortgage investment as nominee and bare trustee, maintaining records and accounts in respect of each eligible mortgage investment, remitting to the Partnership and/or Fund all amounts received by the Mortgage Administrator on account of the Partnership and/or Fund's interest in each mortgage and on a monthly basis forwarding to the Partnership and/or Fund a monthly statement of account in respect of all mortgage investments in which the Partnership and/or Fund has an interest;

- assist the Manager to formulate and modify the Partnership and/or Fund's investment policies when appropriate, and to report to the Partnership and/or Fund in connection with or relative to the Partnership and/or Fund's mortgage investments as may be required from time to time by the Manager. The Mortgage Administrator shall provide the Manager with information relating to proposed acquisitions, dispositions, financing and mortgage investments including such information that the Manager deems necessary to execute completely its due diligence and responsibilities;

- use its reasonable efforts to present to the Partnership and/or Fund investment opportunities consistent with the investment policies and objectives of the Partnership and/or Fund, which investments will mainly consist of whole or partial interests in mortgages; and

- if required or upon request of the Manager, obtain an appraisal and/or Phase I Environmental Audit of Real Property with respect to mortgage interests which are being acquired or with respect to which a mortgage loan or commitment is being made.

The Mortgage Administrator has agreed to fulfill the role and provide the services set out in the Mortgage Administration and Services Agreement in an honest and diligent manner, in good faith and to the best of its ability and not to prejudice the opportunities provided to the Manager in any manner. The Mortgage Administrator has further agreed to service the Partnership and/or Fund's portfolio of mortgage investments in the same manner, and with the same care, skill, prudence and diligence, with which it services and administers its current mortgage loans, giving due consideration to customary and usual standards of practice employed by mortgage loan administrators with respect to loans comparable to the Partnership and/or Fund's investments and to exercise reasonable business judgment in accordance with applicable law to maximize recovery under the Partnership and/or Fund's investments.

**Fees**

In consideration of the performance of its services under the Mortgage Administration and Services Agreement, the Mortgage Administrator is entitled to a fee (the "**Mortgage Administrator Fee**") in an amount equal to up to 15% of the gross interest income of each mortgage and so expected to be no more than 2% per annum of the outstanding principal balance of the entire portfolio of mortgages serviced and administered by the Mortgage Administrator under the Mortgage Administration and Services Agreement. The Mortgage Administrator Fee may be paid directly to the Mortgage Administrator by the Partnership and/or Fund or more typically by way of deduction from payments received directly by the Mortgage Administrator from borrowers pursuant to such mortgage loans. In addition, the Mortgage Administrator may, from time to time, charge brokers' fees, lenders' fees, commitment fees, renewal fees, Non Sufficient

Funds (NSF) fees, administration fees, discharge fees and similar fees to borrowers with respect to the eligible investments and, provided such fees are commercially reasonable, all of such fees will be and remain the sole property of the Mortgage Administrator.

The fees payable to the Mortgage Administrator under the Mortgage Administration and Services Agreement are comparable to fees paid to other entities providing similar services and to the fees charged by the Mortgage Administrator for similar services provided to its other clients.

**Liability and Indemnity**

The Mortgage Administrator will only be liable to the Manager, the Partnership and/or Fund by reason of acts constituting bad faith, willful misconduct or negligence in respect of its duties under the Mortgage Administration and Services Agreement. The Partnership and/or Fund has agreed to indemnify and hold harmless the Mortgage Administrator, as well as its directors, officers, shareholders, employees, affiliates and agents, from and against any and all liabilities, losses, claims, damages, penalties, actions, suits, demands, costs and expenses including, without limiting the foregoing, reasonable legal fees and expenses, arising from or in connection with any actions or omissions which the Mortgage Administrator takes as Mortgage Administrator under the Mortgage Administration and Services Agreement, provided that such action or omission is taken, or not taken, in good faith and without willful misconduct, negligence, standard of care or is taken pursuant to and is in compliance with that agreement. This indemnity will survive the removal or resignation of the Mortgage Administrator in connection with any and all of its duties and obligations under the Mortgage Administration and Services Agreement.

**Term and Termination**

The Mortgage Administration and Services Agreement will continue in force until terminated in accordance with its provisions. The Mortgage Administration and Services Agreement is terminable by the Manager on behalf of the Partnership and/or Fund on 12 months' notice or at any time upon the occurrence of an event of termination on the part of the Mortgage Administrator as set out in the Mortgage Administration and Services Agreement. The Mortgage Administration and Services Agreement is terminable by the Mortgage Administrator at any time upon the occurrence of an event of termination on the part of the Partnership and/or Fund or upon 12 months' prior written notice to the Manager.

**Acknowledgements**

The Partnership and/or Fund acknowledges that the Mortgage Administrator, or its directors, officers, shareholders, employees and affiliates, may purchase with their own funds and own as a co-lender, a percentage interest in an investment that the Mortgage Administrator presents to the Partnership and/or Fund for acquisition and that the Mortgage Administrator may also sell undivided percentage interests in such investments to other co-lenders. The Partnership and/or Fund also acknowledges that the Mortgage Administrator may hold a subordinated portion in a mortgage which is presented to the Partnership and/or Fund and the rate of return on such subordinated portion may vary from the Partnership and/or Fund's rate of return. The Partnership and/or Fund also consents to and acknowledges, among other things, that: (i) the directors, officers, employees, affiliates and associates of the Mortgage Administrator are engaged in a wide range of investing and other business activities, which may include real property financing in direct competition with the Partnership and/or Fund; (ii) the services of the Mortgage Administrator and its directors, officers and employees are not exclusive to the Partnership and/or Fund and the Mortgage Administrator, its directors, officers, employees and affiliates may at any time engage in promoting or managing any other entity or its investments including those which may compete directly or indirectly with the Partnership and/or Fund; (iii) the Mortgage Administrator may, from time to time, charge brokers' fees,

lenders' fees, commitment fees, renewal fees, NSF fees, administration fees, discharge fees and similar fees to borrowers in amounts that are commensurate with fees paid to other entities providing similar services with respect to the eligible investments and all of such fees will be and remain the sole property of the Mortgage Administrator; and (iv) the Mortgage Administrator is under no obligation to make payments to the Partnership and/or Fund under the Agreement in respect of an eligible investment unless and until payments are received by the Mortgage Administrator from the borrower or other applicable person in respect of the eligible investment in any particular month.

## TERMINATION OF THE FUND

The Fund has no fixed term. The Manager may, in its discretion, terminate the Fund by giving notice to the Unitholders and fixing the date of termination not earlier than 30 days following the mailing or other delivery of notice. No Units may be redeemed at the option of a Unithholder from the date that the notice of termination is delivered. The Fund will be terminated and dissolved in the event that the Manager resigns and no successor trustee and manager is appointed, or if the Manager has been declared bankrupt or becomes insolvent or there is a material breach of the Manager's obligations under the Declaration of Trust and such default continues for 120 days from the date that the Manager receives notice of such material default from a Unitholder.

On or about the effective date of termination of the Fund, the Manager (or other person appointed by the Manager in the event that the Manager cannot or will not so act) shall sell all non-cash assets of the Fund, unless the Manager determines that it would be in the best interests of the Unitholders to distribute some or all of such assets in kind. The Manager shall be entitled to retain out of any moneys in its hands full provision for all costs, charges, expenses, claims and demands incurred, made or reasonably anticipated by the Manager in connection with or arising out of the termination of the Fund and the distribution of the Fund's assets to Unitholders and out of the moneys so retained to be indemnified and saved harmless against any such costs, charges, expenses, claims and demands.

## DECLARATION OF TRUST

The rights and obligations of the Manager and the Unitholders of the Fund are governed by the Declaration of Trust (as amended from time to time). The Declaration of Trust sets out the rights, duties and obligations of the Trustee and the rights and restrictions that are attached to each Unit of the Fund.

The following is a summary of the Declaration of Trust not otherwise summarized in this Offering Memorandum. This summary is not intended to be complete and each investor should review the Declaration of Trust for full details of its terms. A copy of the Declaration of Trust may be requested by contacting us at the address, numbers or email address set out on the first page.

### The Units

The Trustee will determine whether the capital of the Fund is divided into additional series of Units, the attributes that shall attach to each series of Units and whether any series of Units should be redesignated as a different series of Units from time to time.

Each Unit of a series is without nominal or par value and entitles the holder thereof to one vote for each one full dollar of value of all units owned by such Unitholder as based on the Series Net Asset Value per Unit at the close of business on the record date for voting at all meetings of Unitholders of the Fund where all series vote together and to one vote at meetings where that particular series votes separately as a series.

Each Unit of a particular series generally entitles the holder thereof to participate pro rata with respect to all distributions made to that series (except special distributions) and, upon liquidation of the Fund, to participate pro rata with the other Unitholders of that same series in the assets that such series is entitled to. Upon the liquidation of the Fund and the payment of all amounts to satisfy the Fund's liabilities and applicable reserves, the Preferred Units are entitled to receive only an amount equal to the Preferred Unit Investment Amount and any accrued but unpaid Preferred Return. Thereafter the holders of Common Units are entitled to receive the remainder of the assets of the Fund.

**Unitholder Meetings**

Meetings of Unitholders may be convened by the Trustee or the Manager as either of them may deem advisable from time to time for the administration of the Fund.

**Amendment to the Declaration of Trust**

The Trustee may amend the Declaration of Trust, without the approval of or prior notice to the Unitholders where the Trustee reasonably believes that the proposed amendment does not have the potential to materially adversely impact the financial interests or rights of Unitholders of the Fund or where the proposed amendment is necessary to:

a) ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the Fund or the distribution of its Units;

b) remove any conflicts or other inconsistencies that may exist between any of the terms of the Declaration of Trust and any provisions of any applicable laws, regulations or policies affecting the Fund, the Trustee or their agents;

c) make any change or correction in the Declaration of Trust that is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;

d) facilitate the administration of the Fund as applicable or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its administration which might otherwise adversely affect the tax status of the Fund or its Unitholders; or

e) for the purposes of protecting the Unitholders of the Fund.

Where securities legislation requires that written notice be given to Unitholders before the change takes effect and where the Trustee reasonably believe that the proposed amendment has the potential to materially adversely impact the financial interests or rights of the Unitholders, so that it is equitable to give Unitholders advance notice of the proposed change, the Trustee may amend the Declaration of Trust on 30 days' notice to Unitholders.

## CANADIAN INCOME TAX CONSIDERATIONS AND CONSEQUENCES

The following summary fairly presents the principal Canadian federal income tax considerations under the Tax Act, as of the date hereof, with respect to the acquisition, ownership and disposition of Units of the Fund generally applicable to an individual unitholder, other than a trust, who for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund and holds Units as capital property.

This summary is based on the current provisions of the Tax Act and the regulations issued thereunder (the "**Regulations**") proposals for specific amendments to the Tax Act and the Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof and of the current administrative practices and assessing policies of the Canada Revenue Agency ("**CRA**"). This summary does not take into account or anticipate any change in law, whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account provincial or foreign income tax legislation or considerations.

The Fund qualifies as a mutual fund trust under the Tax Act. This summary is based on the Fund qualifying as a mutual fund trust under the Tax Act at all material times. If the Fund were not to so qualify, the income tax consequences would differ materially from those described below.

**The following summary is of a general nature only, and is not intended to constitute legal or tax advice to any particular investor. Each investor should seek independent advice regarding the tax consequences of investing in Units of the Fund, based on the investor's own particular circumstances.**

**Taxation of the Fund**

In each year, the Fund intends to distribute to its Unitholders in each year such amount of its net income and net realized capital gains that it should generally not be liable for tax under Part I of the Tax Act after taking into account any capital gains refunds and loss carry forward balances.

All of the Fund's deductible expenses, including expenses common to all series of the Fund and management fees and other expenses specific to a particular series of the Fund, will be taken into account in determining the income or loss of the Fund as a whole. In certain circumstances, losses of the Fund may be suspended or restricted, and therefore would not be available to shelter capital gains or income.

The Partnership is not itself liable for income tax under the Tax Act. In general, the Fund will be required to include in computing its income or loss for tax purposes each year the income or loss of the Partnership for that year, computed as if the Partnership were a separate person resident in Canada. It is expected that most of the earnings of the Partnership will be ordinary income, as opposed to capital gains and capital losses. The Fund, generally, will also realize capital gains and losses when it disposes of interests in the Partnership to the extent that the proceeds received exceed the adjusted cost base of the interest.

**Taxation of Investors**

A Unitholder will generally be required to include in computing income for a taxation year that portion of the net income and the taxable portion of the net capital gains of the Fund as was paid or payable to him in the year, whether or not such amount has been reinvested in additional units.

Net taxable capital gains and foreign source income of the Fund and taxable dividends received by the Fund on shares of taxable Canadian corporations that are paid or payable to the Unitholders (including such amounts reinvested in additional units) may be designated by the Fund as taxable capital gains, foreign source income, and taxable dividends earned by the Unitholder, respectively; and therefore will retain their character in the hands of the unitholders. Foreign source income received by the Fund will generally be net of any taxes withheld in the foreign jurisdiction. The taxes so withheld will be included in the determination of income under the Tax Act. To the extent that the Fund so designates in accordance with the Tax Act,

Unitholders will, for the purpose of computing foreign tax credits, be entitled to treat their share of such taxes withheld as foreign taxes paid by the Unitholders.

If distributions from the Fund (other than as proceeds of disposition) are greater than a Unitholder's share of the Fund's net income and the net realized capital gains allocated by the Fund, the excess will be a return of capital. A return of capital is not taxable, but will reduce the adjusted cost base of the Unitholder's units of the Fund. If the adjusted cost base of a Unitholder's units is reduced to less than zero, the Unitholder will be deemed to realize a capital gain equal to the negative amount and the adjusted cost base of the Unitholder's units will be increased by that amount to zero.

The net asset value of a unit may reflect income that has not yet been distributed and capital gains that have not yet been realized or distributed. If a Unitholder purchases a unit before a distribution of net income or net realized capital gains, the Unitholder will be taxable on such distribution even if the amount of that distribution was reflected in the purchase price of the units.

Upon the disposition of units (including a redemption, switch or change to another Fund), a Unitholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition received exceed (or are exceeded by) the adjusted cost base of the units and any reasonable costs of the disposition. Generally, one-half of a capital gain (or capital loss) is included in determining a Unitholder's taxable capital gain (or allowable capital loss). A change of units of one series of a Class into units of another series of the same Class will not result in a disposition. A change of units of one Class into units of another Class will result in a disposition. Any switch fees paid are considered a redemption. Under the alternative minimum tax provisions of the Tax Act, capital gains realized, and distributions of Canadian dividends and capital gains received, by an individual may give rise to a liability for minimum tax.

**Registered Plans**

Provided that the Fund qualifies as a mutual fund trust under the Tax Act at all times, Units of the Fund will be "qualified investments" under the Tax Act for Registered Plans. Annuitants of RRSPs and RRIFs, holders of TFSAs and RDSPs, and subscribers of RESPs, should consult with their own tax advisors as to whether Units of the Fund would be a "prohibited investment" under the Tax Act in their particular circumstances as this may give rise to being subject to a tax equal to 50% of the fair market value. In general, Units would be a prohibited investment if the value of the Units you hold, together with the value of Units held by those people and partnerships who do not deal at arm's length with you, exceed 10% of the net asset value of that Fund. Registered Plans are, generally, not subject to tax on income earned on, and proceeds realized on the disposition of, Units of the Fund as long as the income and proceeds remain in the Registered Plan.

Investors who choose to purchase Units of the Fund through a Registered Plan should consult their own tax advisors regarding the tax treatment of contributions to, and acquisitions of property by, such Registered Plan.

**Portland Registered Plans**

You may open any of the following Portland Registered Plans:

| | |
|---|---|
| Registered Retirement Savings Plan (group and individual) | RRSP |
| Locked-in Retirement Account | LIRA |
| Locked-in Registered Retirement Savings Plan | LRSP |

| | |
|---|---|
| Registered Retirement Income Fund | RRIF |
| Life Income Fund | LIF |
| Locked-In Retirement Income Fund | LRIF |
| Prescribed Retirement Income Fund (Saskatchewan & Manitoba) | PRIF |
| Deferred Profit Sharing Plans | DPSP |
| Tax-Free Savings Account | TFSA |

The terms and conditions of these Portland Registered Plans are contained within the applicable Portland application form and in the declaration of trust that appears on the reverse side of the application form.

## INTERNATIONAL INFORMATION REPORTING

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into by Canada and the U.S. on February 5, 2014 and related Canadian legislation found in Part XVIII of the Tax Act, Unitholders will be required to provide their dealer with information related to their citizenship or residence for tax purposes and, if applicable, a U.S. federal tax identification number. If a Unitholder does not provide the information or is identified as a U.S. citizen or U.S. resident, details of the Unitholder's investment in the Fund will generally be reported to the CRA, unless the investment is held within a Registered Plan. The CRA will then provide the information to the U.S. Internal Revenue Service.

In addition, pursuant to Part XIX of the Tax Act implementing the Organization for Economic Co-operation and Development Common Reporting Standard (the "**CRS Rules**"), Canadian financial institutions are required to have procedures in place to identify accounts held by residents of foreign countries (other than the United States) or by certain entities any of whose "controlling persons" are residents of foreign countries (other than the United States). The CRS Rules provide that, beginning in 2018, Canadian financial institutions must report required information to the CRA annually. Such information would then be available for sharing with the jurisdictions in which the account holders or such controlling persons reside for tax purposes under the provisions and safeguards of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the relevant bilateral tax treaty. Under the CRS Rules, Unitholders will be required to provide required information regarding their investment in the Fund to their dealer for the purpose of such information exchange, unless the investment is held within a Registered Plan.

## RISK FACTORS

Investment in Units involves certain risk factors, including risks associated with the Fund's investment objective and the Partnership's investment objectives and strategies. The following risks should be carefully evaluated by prospective investors. Where the Fund or Partnership invests in an Underlying Fund, the Fund and the Partnership will also be subject to the risks of that Underlying Fund which have not been fully reproduced below. Also, some of the risks noted below may apply to the Fund or Partnership indirectly as a result of an investment in an Underlying Fund.

## Risks Associated with an Investment in the Fund and/or Partnership

### *Changes in Investment Strategies*

The Manager may alter its investment strategies without prior approval by the Unitholders if the Manager determines that such change is in the best interest of the Fund.

### *Charges to the Fund*

The Fund is obligated to pay administration fees, brokerage commissions and legal, accounting, filing and other expenses regardless of whether the Fund realizes profits.

### *Cybersecurity Risk*

With the increased use of technologies to conduct business, the Manager, the Fund and the Partnership have become potentially more susceptible to operational and information security risks through breaches in cybersecurity. In general, a breach in cybersecurity can result from either a deliberate attack or an unintentional event. Cybersecurity breaches may involve, among other things, infection by computer viruses or other malicious software code or unauthorized access to the Manager's, Fund's, or Partnership's digital information systems, networks or devices through "hacking" or other means, in each case for the purpose of misappropriating assets or sensitive information (including, for example, personal unitholder information), corrupting data or causing operational disruption or failures in the physical infrastructure or operating systems that support the Manager, Fund or Partnership. Cybersecurity risks also include the risk of losses of service resulting from external attacks that do not require unauthorized access to the Manager's, Fund's or Partnership's systems, networks or devices. Any such cybersecurity breaches or losses of service may cause the Manager, Fund or Partnership to lose proprietary information, suffer data corruption or lose operational capacity, which, in turn, could cause the Manager, Fund or Partnership to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. While the Manager has established business continuity plans and risk management systems designed to prevent or reduce the impact of cybersecurity attacks, there are inherent limitations in such plans and systems due in part to the ever-changing nature of technology and cybersecurity attack tactics, and there is a possibility that certain risks have not been adequately identified or prepared for.

In addition, cybersecurity failures by or breaches of the Manager's, Funds' or Partnership's third-party service providers (including, but not limited to, the mortgage administrators, investment managers, custodian, prime broker and administrator) may disrupt the business operations of the service providers and of the Manager, Fund or Partnership. These disruptions may result in financial losses, the inability of Fund or Partnership Unitholders to transact business with the Fund or Partnership and inability of the Fund or Partnership to process transactions, the inability of the Fund or Partnership to calculate their Net Asset Value, violations of applicable privacy and other laws, rules and regulations, regulatory fines, penalties, reputational damage, reimbursement or other compensatory costs and/or additional compliance costs associated with implementation of any corrective measures. The Fund or Partnership and its Unitholders could be negatively impacted as a result of any such cybersecurity breaches, and there can be no assurance that the Fund or Partnership will not suffer losses relating to cybersecurity attacks or other informational security breaches affecting the Manager's, Fund's or Partnership's third-party service providers in the future, particularly as the Manager and the Fund cannot control any cybersecurity plans or systems implemented by such service providers.

Cybersecurity risks may also impact issuers of securities in which the Fund or Partnership invests, which may cause the Fund's or Partnership's investments in such issuers to lose value.

***Distributions***

The return on an investment in the Units is not comparable to the return on an investment in fixed income securities. Cash distributions to Unitholders are not guaranteed and are not fixed obligations of the Fund. Any receipt of cash distributions by a Unitholder is at any time subject to the terms of the Declaration of Trust. Any anticipated return on investment is based upon many performance assumptions. Although the Fund intends to distribute cash to Unitholders monthly, distributions may be reduced or suspended at any time and from time to time. The ability of the Fund to make distributions and the actual amount distributed depends upon the Fund's performance and is subject to various factors including those referenced herein. The value of the Units may decline if the Fund is unable to meet its cash distribution targets in the future and that decline may be significant.

***General Partner and Manager are Fiduciaries***

The Manager and General Partner are fiduciaries to the Fund and Partnership and are expected to be fiduciaries to future funds managed by the Manager. In its role as the manager or general partner of such funds, the Manager and General Partner, respectively, will be required to act in the best interest of the funds and their limited partners as a whole. There may be instances where such actions are not the most beneficial actions for the Manager as a limited partner and may have an adverse effect on the Manager.

***Investment Risk***

An investment in the Fund may not be suitable as a complete investment program. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund. Investors should review closely the investment objective and investment strategies to be utilized by the Fund as outlined herein to familiarize themselves with the risks associated with an investment in the Fund.

***Lack of Independent Experts Representing Investors***

The Fund and the Manager have consulted with a single legal counsel regarding the formation and terms of the Fund and the offering of Units. The investors have not, however, been independently represented. Therefore, to the extent that the Fund, the investors or this offering could benefit by further independent review, such benefit will not be available. Each prospective investor should consult his or her own legal, tax and financial advisers regarding the desirability of purchasing Units and the suitability of investing in the Fund.

***Marketability and Transferability of Units***

There is no market for the Units and their resale is subject to restrictions imposed by the Declaration of Trust, including consent by the Manager, and applicable securities legislation. (See "Transfer or Resale"). Redemptions may be deferred or suspended in certain circumstances. Consequently, holders of Units may not be able to liquidate their investment in a timely manner and the Units may not be readily accepted as collateral for a loan.

***Not a Public Mutual Fund***

The Fund is not subject to the restrictions placed on public mutual funds by NI 81-102.

***No Assurance of Return***

Although the Manager through the Partnership or the Fund will use its best efforts to achieve above average rates of return for the Fund, no assurance can be given in this regard. An investment in the Fund is appropriate only for investors willing to invest for the medium to long-term and who have the capacity to absorb the loss of some or all of their investment and can withstand the effect of distributions not being paid in any period.

***No Involvement of Unaffiliated Selling Agent***

The Trustee, Manager and General Partner are under common control and ownership. Consequently, no outside selling agent unaffiliated with such parties has made any review or investigation of the terms of this offering, the structure of the Fund or the background of the Trustee and Manager.

***Possible Effect of Redemptions***

Substantial redemptions of Units could require the Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash or require the Fund to fail to meet commitments in order to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the Units redeemed and of the Units remaining outstanding.

***Possible Loss of Limited Liability***

Under the Partnership Act, the General Partner has unlimited liability for the debts, liabilities, obligations and losses of the Partnership to the extent that they exceed the assets of the Partnership. The liability of each Limited Partner for the debts, liabilities, obligations and losses of the Partnership is limited to the value of money or other property the Limited Partner has contributed or agreed to contribute to the Partnership. In accordance with the Partnership Act, if a Limited Partner has received a return of all or part of the Limited Partner's contribution to the Partnership, the Limited Partner is nevertheless liable to the Partnership, or where the Partnership is dissolved, to its creditors, for any amounts not in excess of the amount returned with interest, necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims arose before the return of the contribution. **The limitation of liability of a Limited Partner may be lost if a Limited Partner takes part in the control of the business of the Partnership.**

***Possible Negative Impact of Regulation***

The regulatory environment is evolving and changes to it may adversely affect the Fund and/or the Partnership. To the extent that regulators adopt practices of regulatory oversight that create additional compliance, transaction, disclosure or other costs, returns of the Fund may be negatively affected. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action that may adversely affect the value of the investments held by the Partnership or Fund. The effect of any future regulatory or tax change on the portfolio of the Partnership or Fund is impossible to predict.

***Potential Conflicts of Interest***

The business of the Manager is the investment of accounts for its clients. The orders of the Partnership or Fund may be executed at the same time as other accounts managed by the Manager. Since the Manager may manage common interests for accounts on different financial terms, there may be an incentive to favour certain accounts over others. The Manager has a fairness policy to ensure the fair and

reasonable treatment of all clients based upon the clients' investment objectives and strategies and to avoid favouritism or discrimination among clients.

***Potential Indemnification Obligations***

Under certain circumstances, the Fund and/or Partnership might be subject to significant indemnification obligations in favour of the Manager, other service providers to the Fund and/or Partnership or certain persons related to them in accordance with the respective agreement between the Fund, the Partnership and each such service provider. The Fund and/or Partnership will not carry any insurance to cover such potential obligations and, to the Manager's knowledge, none of the foregoing parties will be insured for losses for which the Fund and/or Partnership has agreed to indemnify them. Any indemnification paid by the Fund and/or Partnership would reduce the Fund's Net Asset Value.

***Reliance on Manager, Key Personnel and Counterparties***

The success of the Partnership and Fund will be primarily dependent upon the skill, judgment and expertise of the Manager and its principals. Also, the Manager is selecting and employing specialists to help administer and help address the investment goals. Although persons involved in the management of the Fund and the service providers to the Fund and/or Partnership have had experience in their respective fields of specialization, the Fund and/or Partnership has a relatively short operating or performing history upon which prospective investors can evaluate the Fund's likely performance.

In the event of the loss of the services of the Manager, or of a key person of the Manager, or the loss of the services of the Mortgage Administrator or a Specialty Investment Manager, the performance of the Fund and/or Partnership may be adversely affected.

The Fund and/or Partnership relies on delegates/counterparties to perform significant functions, for instance administration, custody and investment management, as such poor performance by a delegate may negatively impact the Fund and/or Partnership. Each such delegate may in turn rely on key individuals and in the event of the death, incapacity or departure of any of these individuals, the operations, business and performance of the Fund and/or Partnership may be adversely affected.

***Risks Arising from Provision of Managerial Assistance***

The Partnership may obtain rights to participate substantially in and influence substantially the conduct of the management of an Investment or Financed Company. The Partnership may designate directors to serve on the board of directors of an Investment or Financed Companies. The designation of directors and other measures contemplated could expose the assets of the Partnership to claims by an Investment or Financed Company, its security holders and its creditors. While the Manager intends to manage the Partnership in a manner that will minimize its exposure to such risks, the possibility of such claims cannot be precluded.

***Series Risk***

Each series of Units has its own fees and expenses which are tracked separately. If for any reason, the Fund is unable to pay the expenses of one series of Units using that series' proportionate share of the Fund's assets, the Fund will be required to pay those expenses out of the other series' proportionate share of the Fund's assets. This could effectively lower the investment returns of the other series even though the value of the investments of the Fund might have increased.

***Tax Liability***

Institutional investors in the Partnership may be allocated income for tax purposes and not receive any cash distributions from the Partnership. Net Asset Value of the Partnership and Net Asset Value per Unit will be marked to market and therefore calculated on the basis of both realized gains and losses and accrued, unrealized gains and losses. In computing each Limited Partner's share of income or loss for tax purposes, only realized gains and other factors, including the date of purchase or redemption of Units by a Limited Partner in a fiscal year, will be taken into account. Therefore, the change in Net Asset Value of a Limited Partner's Units may differ from his, her or its share of income and loss for tax purposes.

***Units are not Insured***

The Fund is not a member institution of the Canada Deposit Insurance Fund and the Units offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Fund. The Units are redeemable at the option of the holder, but only under certain circumstances.

***Valuation of the Fund or Partnership's Investments***

Valuation of the Fund or Partnership's securities and other investments may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the Net Asset Value of the Fund could be adversely affected. Independent pricing information may not be available regarding certain of the Fund or Partnership's securities and other investments. Valuation determinations will be made in good faith in accordance with the Declaration of Trust or Limited Partnership Agreement.

The Fund or Partnership may from time to time have some of its assets in investments which by their very nature may be extremely difficult to value accurately. To the extent that the value assigned by the Fund or Partnership to any such investment differs from the actual value, the Net Asset Value per Unit may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that a Unitholder who redeems all or part of its Units while the Fund or Partnership holds such investments will be paid an amount less than such Unitholder would otherwise be paid if the actual value of such investments is higher than the value designated by the Fund or Partnership. Similarly, there is a risk that such Unitholder might, in effect, be overpaid if the actual value of such investments is lower than the value designated by the Manager in respect of a redemption. In addition, there is risk that an investment in the Fund or Partnership by a new Unitholder (or an additional investment by an existing Unitholder) could dilute the value of such investments for the other Unitholders if the actual value of such investments is higher than the value designated by the Manager. Further, there is risk that a new Unitholder (or an existing Unitholder that makes an additional investment) could pay more than it might otherwise if the actual value of such investments is lower than the value designated by the Manager. The Fund or Partnership does not intend to adjust the Net Asset Value of the Fund or Partnership retroactively.

**Risks Associated with the Fund and/or Partnership's Investments and Strategies**

***Availability of Investments***

As the source of some of the Fund's and Partnership's investments is through the Mortgage Administrator, the Fund and Partnership are exposed to adverse developments in the business and affairs of the Mortgage Administrator, to its management and financial strength, to its ability to operate its businesses profitably and to its ability to retain its mortgage agent, mortgage administration and (through its carrying broker) brokerage licenses issued to it under applicable legislation. The ability of the Fund and Partnership to make investments in accordance with its objectives and investment policies depends upon

the availability of suitable investments and the amount of funds available.

There can be no assurance that the yields on the mortgages currently invested in by the Mortgage Administrator will be representative of yields to be obtained on future mortgage investments of the Fund or Partnership. The Mortgage Administrator must render its services under the Mortgage Administration and Services Agreement honestly and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities under the Mortgage Administration and Services Agreement in a conscientious, reasonable and competent manner. However, the services of the Mortgage Administrator, the directors and officers of the Mortgage Administrator and the members of its credit committee are not exclusive to the Fund or Partnership. The Mortgage Administrator, its directors and officers, its affiliates, members of its credit committee and their affiliates may, at any time, engage in promoting or managing other entities or their investments including those that may compete directly or indirectly with the Fund or Partnership, and the Mortgage Administrator has sole discretion in determining which mortgages and investments it will make available to the Fund or Partnership for investment.

***Counterparty and Settlement Risk***

Some of the markets in which the Partnership will effect its transactions may be "over the counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Partnership to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Partnership to suffer a loss. In addition, in the case of a default, the Partnership could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Partnership has concentrated its transactions with a single or small group of counterparties. The Partnership is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of the Partnership to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Partnership.

***Credit Risk***

Credit risk can have a negative impact on the value of a debt security, such as a loan or a mortgage. This risk includes:

- Default risk, which is the risk that the issuer of the debt will not be able to pay interest or repay the debt when it is due. Generally, the greater the risk of default, the lower the quality of the debt security.
- Credit spread risk, which is the risk that the difference in interest rates (called **"credit spread"**), between the issuer's bond and a bond considered to have little associated risk (such as a treasury bill) will increase. An increase in credit spread generally decreases the value of a debt security.
- Downgrade risk, which is the risk that a specialized credit rating agency will reduce the credit rating of an issuer's securities. A downgrade in credit rating generally decreases the value of a debt security.
- Collateral risk, which is the risk that in the event of a default under secured debt instruments, it may be difficult to sell the assets the issuer has given as collateral for the debt or that the assets may be deficient. This difficulty could cause a significant decrease in the value of a debt security.

***Currency and Exchange Rate Risks***

The Fund will report its results and Net Asset Value in Canadian dollars and make distributions, if any, in same. Changes in currency exchange rates may affect the value of the Fund or Partnership's portfolio and the unrealized appreciation or depreciation of investments.

***Custody Risk and Broker or Dealer Insolvency***

The Partnership does not control the custodianship of all of its securities. A portion of the Partnership's assets will be held in one or more accounts maintained for the Partnership by its custodian, Mortgage Administrator, fund administrator, prime brokers or at other brokers. Such brokers are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Partnership's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible scenarios involving the insolvency of a prime broker or any sub-custodians, agents or affiliates, fund administrator or Mortgage Administrator it is impossible to generalize about the effect of their insolvency on the Partnership and its assets. Investors should assume that the insolvency of any of the prime brokers or such other service providers would result in the loss of all or a substantial portion of the Partnership's assets held by or through such prime broker and/or the delay in the payment of redemption proceeds.

***Debt Securities***

The Partnership may invest in bonds or other debt securities including, without limitation, bonds, notes and debentures issued by corporations. Debt securities pay fixed, variable or floating rates of interest. The value of debt securities in which the Partnership may invest will change in response to fluctuations in interest rates. In addition, the value of certain debt securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). If debt securities are not held to maturity, the Partnership may suffer a loss at the time of sale of such securities.

***Diversification***

The ability of the Partnership to diversify its investments will depend on the ultimate size of the Partnership relative to the size of the available investment opportunities. The Manager expects to make investments in diverse industries but unforeseen circumstances may cause it to limit the number of investments which could affect the Partnership's ability to meet its investment objective.

The composition of the mortgages and loans in the Fund or Partnership may vary widely from time to time and may be concentrated by type of mortgage or loan, industry or geography, resulting in the portfolio of mortgages being less diversified than anticipated. A lack of diversification may result in the Fund or Partnership being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography.

***Environmental and Other Regulatory Matters***

Although the Mortgage Administrator generally obtains an evaluation of the property to be subject to the mortgage in the form of a Phase I Environmental Audit, environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under

various laws, the Fund or Partnership could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner.

The Mortgage Administrator's environmental policy usually includes a Phase I Environmental Audit when warranted, conducted by an independent and experienced environmental consultant, before advancing a loan or acquiring a mortgage.

***Equity Risk***

Companies issue equities, or stocks, to help finance their operations and future growth. A company's performance outlook, market activity and the larger economic picture influence its stock price. The value of the Partnership is affected by changes in the prices of the stocks it holds. The risks and potential rewards are usually greater for small companies, start-ups, resource companies and companies in emerging markets. Investments that are convertible into equity may also be subject to equity risk. In the case of equity securities which are units of income trusts, described under *Risks Associated with the Fund and/or Partnership's Investments and Strategies – Income Trust Risk,* the price will vary depending on the sector and underlying asset or business.

***Exchange Traded Funds***

The Partnership may invest in ETFs that seek to provide returns similar to an underlying benchmark such as particular market index or industry sector index. These ETFs may not achieve the same return as a benchmark index due to differences in the actual weightings of securities held in the ETF versus the weightings in the relevant index, and due to the operating and administrative expenses of the ETF.

ETFs that are traded on an exchange are subject to the following additional risks: (i) an ETF's securities often trade on the exchange at a discount to net asset value of such securities; (ii) an active trading market for an ETF's securities may not develop or be maintained; and (iii) there is no assurance that the ETF will continue to meet the listing requirements of the exchange.

***Failure to meet Commitments***

The Fund or Partnership may commit to making future mortgage investments, commercial loans or investments in Underlying Funds in anticipation of repayment of principal outstanding under existing mortgage investments. In the event that such repayments of principal are not made in contravention of the borrowers' obligations, the Fund or Partnership may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may face liability in connection with its failure to make such advances.

Similarly, following the initial investment in an Investment or Financed Company, via a commercial loan or other debt security, the Partnership may be called upon to provide additional funding or have the opportunity to increase its investment in such investment or company or to fund additional investments through such investment or company. There is no assurance that the Partnership will make follow-on investments or that the Partnership will have sufficient funding to make all such investments. Any decision by the Partnership not to make follow-on investments or its inability to make them may have a substantial negative impact on the Investment or Financed Company in need of such investment.

***Foreign Investment Risk***

The Partnership may invest in securities issued by corporations in, or governments of, countries other than Canada. Investing in foreign securities can be beneficial in expanding investment opportunities and increasing portfolio diversification, but there are risks associated with foreign investments, including:

- companies outside of Canada may be subject to different regulations, standards, reporting practices and disclosure requirements than those that apply in Canada;
- the legal systems of some foreign countries may not adequately protect investor rights;
- political, social or economic instability may affect the value of foreign securities;
- foreign governments may make significant changes to tax policies, which could affect the value of foreign securities; and
- foreign governments may impose currency exchange controls that may prevent a Partnership from taking money out of the country.

***General Economic and Market Conditions***

The success of the Fund's and Partnership's activities may be affected by general economic and market conditions such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Partnership's investments. Unexpected volatility or illiquidity could impair the Fund's or Partnership's profitability or result in losses.

***Highly Volatile Markets***

The prices of financial instruments in which the Partnership's assets may be invested can be highly volatile and may be influenced by, among other things, specific corporate developments, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies.

***Income Trust Risk***

Income trusts generally hold debt and/or equity securities of an underlying active business or are entitled to receive a royalty on revenues generated by such business. If the Partnership invests in income trusts such as oil, gas and other commodity-based royalty trusts, real estate investment trusts and pipeline and power trusts, it will have varying degrees of risk depending on the sector and the underlying asset or business of the trust. Returns on income trusts are neither fixed nor guaranteed. Typically, trust securities are more volatile than bonds (corporate and government) and preferred securities. Many of the income trusts that the Partnership may invest in are governed by laws of a province of Canada or of a state of the United States which limit the liability of unitholders of the income trust from a particular date. The Partnership may, however, also invest in income trusts in Canada, the United States and other countries that do not limit the liability of unitholders. In such cases, there is therefore a risk that unitholders of an income trust, such as the Partnership, could be held liable for any claims against the income trust's contractual obligations. Income trusts generally try to minimize this risk by including provisions in their agreements that their obligations will not be personally binding on unitholders. However, the income trust may still have exposure to damage claims not arising from contractual obligations.

***Interest Rate Changes***

The value of the Fund's or Partnership's investments may fall if market interest rates for government, corporate or high yield credit rise. The value of the Partnership that holds fixed income

securities will rise and fall as interest rates change. When interest rates fall, the value of an existing bond tends to rise. When interest rates rise, the value of an existing bond tends to fall. The value of debt securities that pay a variable (or floating) rate of interest is generally less sensitive to interest rate changes. The Manager's ability to replace matured variable debt securities at the same or better yield will be impacted by interest rate changes.

***Investment and Trading Risks in General***

All investments made by the Manager risk the loss of capital. The Manager may utilize investment techniques or instruments which can, in certain circumstances, increase the adverse impact to which the Fund's account may be subject. No guarantee or representation is made that the Partnership's investment program will be successful and investment results may vary substantially over time. Many unforeseeable events, including actions by various government agencies and domestic and international economic and political developments may cause sharp market fluctuations which could adversely affect the Partnership's portfolio and performance.

***Issuer–Specific Changes***

The value of an individual security or particular type of security can be more volatile than, and can perform differently from, the market as a whole.

***Knowledge and Expertise of the Mortgage Administrator***

As the Partnership and Fund will not be licensed under the MBLAA, the Partnership and Fund cannot engage directly in the business of dealing in mortgages in Ontario, and must therefore conduct their mortgage investment activities under contract with a Mortgage Administrator, a licensed mortgage brokerage and mortgage administrator.

As such, the Partnership and Fund will be dependent on the knowledge and expertise of a Mortgage Administrator for services under a Mortgage Administration and Services Agreement. There is no certainty that the persons who are currently officers and directors of a Mortgage Administrator will continue to be officers and directors of a Mortgage Administrator for an indefinite period of time.

***Knowledge of and Dependence on Specialty Investment Managers***

The Partnership is dependent on the knowledge and expertise of Specialty Investment Managers in connection with the investment products or Underlying Funds managed by the Specialty Investment Managers in which the Fund or Partnership invests or will invest. There is no certainty that the persons who are currently officers and directors of a Specialty Investment Manager will continue to be officers and directors of the Specialty Investment Manager for an indefinite period of time.

As well, the Partnership may invest in income producing public securities of a Specialty Investment Manager, including preferred shares or dividend paying equity securities, increasing the Partnership's dependency on the Specialty Investment Manager. A regulatory issue or failure impacting such a Specialty Investment Manager could significantly and adversely affect the performance of the Partnership.

***Leverage***

The Partnership may use financial leverage by borrowing funds against the assets of the Partnership. The use of leverage increases the risk to the Partnership and subjects the Partnership to higher current expenses. Also, if the Partnership's portfolio value drops to the loan value or less, investors could

sustain a total loss of their investment as potential returns are amplified both to the benefit and detriment of the investors. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

In the event that the amount borrowed exceeds 25% of the total assets of the Partnership, after giving effect to such borrowing, assets of the Partnership will be sold and the amount borrowed reduced to less than 25% of the total asset of the Partnership. Such sales may be required to be done at prices which may adversely affect the value of the portfolio and the return to the Partnership. The interest expense, banking fees and withholding taxes occurred in respect of the loan facility may exceed the incremental capital gains/losses and income generated by the incremental investment of portfolio securities. In addition, the Partnership may not be able to negotiate a loan facility on acceptable terms. There can be no assurance that the borrowing strategy employed by the Partnership will enhance returns.

There is a possibility that some of the interest paid on an amount borrowed may not be deductible by the Partnership for tax purposes.

***Leveraged Nature of Portfolio Companies***

The companies in which Underlying Funds (managed by Specialty Investment Managers) invest, employ leverage, a portion of which may be at floating interest rates. The leveraged capital structure of the Investments or Financed Companies will increase the sensitivity of the Underlying Funds' investments to any deterioration in a company's revenues, condition of industry, competitive pressures, an adverse economic environment or rising interest rates. In the event any such Investment or Financed Company cannot generate adequate cash flow to meet debt service, the Underlying Fund may suffer a partial or total loss of capital investment in the investment, which, given the size of the Underlying Fund's investments, could adversely affect the investment returns of the Underlying Fund and therefore the Fund and Partnership.

***Liabilities upon Disposition***

In connection with the disposition of an investment, the Partnership may be required to make representations about the business and financial affairs of Financed Companies typical of those made in connection with the sale of the business or be responsible for the content of disclosure documents under applicable securities laws. It may also be required to indemnify purchasers of such investment or underwriters to the extent that such representations or disclosure documents are determined to be inaccurate. These arrangements may result in contingent liabilities which might ultimately have to be funded by the Partnership.

***Limited Sources of Borrowing***

The Canadian financial marketplace has a limited number of financial institutions that provide credit to entities such as the Partnership. The limited availability of sources of credit may limit the Partnership's ability to take advantage of leveraging opportunities to enhance the yield on its investments or may result in the Partnership having to seek credit in foreign jurisdictions.

***Liquidity Risk***

Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of the Partnership's portfolio positions may be reduced. In addition, the Partnership may from time to time hold large positions with respect to a specific type of financial instrument, which may reduce the Partnership's liquidity. During such times, the Partnership may

be unable to dispose of certain financial instruments, including longer-term financial instruments, which would adversely affect its ability to rebalance its portfolio or to meet redemption requests. In addition, such circumstances may force the Partnership to dispose of financial instruments at reduced prices, thereby adversely affecting its performance. If there are other market participants seeking to dispose of similar financial instruments at the same time, the Partnership may be unable to sell such financial instruments or prevent losses relating to such financial instruments. In addition, in conjunction with a market downturn, the Partnership's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Partnership's exposure to their credit risk.

***Maritime and Shipping Industry Risks***

The maritime industry is the subject of various risks, each of which could have a material, adverse effect on the Blue Ocean Fund investments, including, without limitation: events such as marine disasters, bad weather, mechanical failures, structural failures, human error, war, terrorism, piracy and other circumstances or events; compliance with various laws and regulations, including federal, state and local laws and regulations affecting the marine transportation industry, all of which are subject to amendment or changes in interpretation; requirements to obtain and maintain permits, licenses and certificates and perform routine inspections, monitoring, recordkeeping and reporting with respect to vessels and operation; and global trade agreements, tariffs and subsidies that adversely affect the flow of import and export tonnage and the demand for marine transportation services. If the maritime industry continues to experience dislocation, the Blue Ocean Fund's ability to achieve its investment objectives may be adversely affected.

In addition, values of shipping vessels, which will be the primary collateral for loans in the Blue Ocean Fund, can fluctuate substantially over time due to a number of factors, including: prevailing macroeconomic and regional economic conditions; a substantial or extended decline in global demand for exports and imports; changes in the supply-demand balance of shipping vessels markets, changes in prevailing charter rates for shipping vessels; condition of shipping vessels serving as collateral, including their size, age, technical specification, efficiency, operational flexibility and potential costs of retrofitting or modifying existing ships due to technological advances or changes in applicable regulations, standards or customer requirements; and loss events, including acts of piracy, seizure by maritime claimants or requisition of governments during a period of war or emergency. Over the last several years, there has been a significant decline in the value of shipping vessels causes by supply/demand imbalance. There can be no assurance that such values will not fall further.

The Blue Ocean Fund will have a limited number of investments, all of which are expected to be in the maritime industry, primarily in shipping companies and non-U.S. oil services companies. As a result, the Blue Ocean Fund will be particularly vulnerable to economic conditions in the shipping industry, including declines in export/import volumes, strikes, increases in fuel costs, uninsured casualties and the difficulties associated with enforcing liens on liquidating collateral in non-U.S. jurisdictions. The Blue Ocean Fund may make loans to special purpose vehicles that own one or more vessels where the borrower's revenues are limited to income derived from such vessels. If the vessels are not deployed for a period of time, or if revenues fall, the borrower may not have sufficient income to pay operational expenses or to service the debt.

***Mortgage Administrator Insolvency***

The Partnership and Fund's interest in each mortgage investment will be held by legal title and registered in the name of the Mortgage Administrator on behalf of the Partnership or Fund as mortgage administrator and bare trustee of the investment. The insolvency of the Mortgage Administrator could

result in the loss of all or a substantial portion of the assets of the Partnership or Fund held by the Mortgage Administrator and/or the delay in the payment of withdrawal proceeds.

***Nature of the Investments***

Investments in mortgages are affected by general economic conditions, local real estate markets, demand for housing or commercial premises, fluctuation in occupancy rates, operating expenses and various other factors. Investments in mortgages are relatively illiquid. This will tend to limit the Partnership or Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. The Partnership and Fund's investments in mortgage loans will be secured by real estate. All Real Property investments are subject to elements of risk. While independent appraisals may be obtained before the Partnership or Fund makes any mortgage investments, the appraised values provided therein, even where reported on an "as is" basis are not necessary reflective of the market value of the underlying Real Property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or lease-up improvements on the Real Property providing security for the investment. There can be no guarantee that these conditions will be satisfied and if, and to the extent, they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the Real Property at the time the conditions are satisfied.

There may be instances where the Partnership may invest in situations involving distressed companies. These investments by the Partnership are typically done as part of a DIP financing arrangement. DIP financings are often required to close with certainty and in a rapid manner in order to assist with the funding of the restructuring of a technically insolvent company. Although a DIP lender is typically granted "super-priority" status by court order over the claims of existing creditors, there may be existing court ordered charges that rank in priority to the DIP lending charge. In the event the DIP lender is required to enforce the DIP lending charge, the recourse would typically be only to the assets of an insolvent company.

An investment in commercial loans, particularly mezzanine finance can require a long-term commitment. Many of the Partnership's investments will be highly illiquid and there can be no assurance that the Partnership will be able to realize such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the Partnership. As the Partnership may make only a limited number of investments poor performance by a few of the investments could significantly affect the total returns to the Partnership. In the event a Portfolio Company fails to meet projections, the Partnership may suffer a partial or total loss of capital invested in that company. Therefore, there can be no assurance that the Partnership will be able to realize the value of its investments and distribute proceeds in a timely manner.

There is a risk that the collateral securing commercial loans may decrease in value, may be difficult to sell in a timely manner, may be damaged, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the Investments or Financed Companies to raise additional capital. Moreover, in some circumstances, the underlying lien could be subordinated to claims of other creditors. In addition, deterioration in an Investment or Financed Companies' financial condition and prospects, including the inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that the Fund or Partnership will receive principal and interest payments according to the loan's terms, or at all, or that the Fund or Partnership will be able to collect on the loan should the Fund or Partnership be forced to enforce its remedies.

Mezzanine debt investments will generally be subordinated to senior secured loans and will generally be unsecured or have a subordinated secured interest. This may result in an above average amount of risk and volatility or a loss of principal. These investments may involve additional risks that could adversely affect investment returns. To the extent interest payments associated with such debt are deferred, such debt may be subject to greater fluctuations in valuations, such debt could subject the Fund or Partnership to non-cash income. Since the Fund or Partnership will not receive cash prior to the maturity of some of its mezzanine debt investment, such investments may be of greater risk than paying cash loans.

The Partnership's income and funds available for distribution to Unitholders would be adversely affected if a significant number of borrowers were unable to pay their obligations to the Partnership or if the Partnership was unable to invest its funds in mortgages or commercial loans on economically favourable terms. On default by a borrower, the Partnership may experience delays in enforcing its rights as lender and may incur substantial costs in protecting its investment.

***Options***

Selling call and put options is a highly specialized activity and entails greater than ordinary investment risk. The risk of loss when purchasing an option is limited to the amount of the purchase price of the option, however, investment in an option may be subject to greater fluctuation than an investment in the underlying security. In the case of the sale of an uncovered option there can be potential for an unlimited loss. To some extent this risk may be hedged by the purchase or sale of the underlying security. The Manager reduces the risk to the Partnership by primarily trading in exchange-traded options rather than over-the-counter options.

***Portfolio Turnover***

The Partnership has not placed any limits on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Manager, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate.

***Risks Related to the Private Portfolio Investments***

The underlying investments of the Partnership may consist of smaller and less established enterprises that may be (but not exclusively) at a conceptual or early stage of development or that may have little or no operating history; may offer services or products that are not yet developed or ready to be marketed or that have no established market. Investments in such enterprises may involve greater risks than are generally associated with investments in more established enterprises. Less established enterprises tend to have less capital and fewer resources and, therefore, are often more vulnerable to financial failure.

***Real Estate Risk***

In addition to general market conditions, investment in securities in the real estate sector, will be affected by the strength of the real estate markets. Factors that could affect the value of the Partnership's holdings include the following:

- overbuilding and increased competition;
- increases in property taxes and operating expenses;
- declines in the value of real estate;
- lack of availability of equity and debt financing to refinance maturing debt;

- vacancies due to economic conditions and tenant bankruptcies;
- losses due to costs resulting from environmental contamination and its related clean-up;
- changes in interest rates;
- changes in zoning laws;
- casualty or condemnation losses;
- variations in rental income;
- changes in neighbourhood values; and
- functional obsolescence and appeal of properties to tenants.

***Reinvestment Risk***

There can be no assurances that any of the mortgages or commercial loans in which the Fund or Partnership has invested, from time to time, can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each mortgage or loan it is possible that the lender, the borrower or both, will not elect to renew such mortgage or loan or the borrower will elect to prepay all or a part of such mortgage or loan. In addition, if the mortgages or loans are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages or loans will be subject to negotiations between the lenders, the borrower and the Mortgage Administrators, as applicable, at the time of renewal.

If an Underlying Fund pays distributions in cash that the Fund or Partnership is not able to reinvest in additional units or shares of the Underlying Fund on a timely or cost-effective basis, then the performance of the Fund or Partnership will be impacted by holding such uninvested cash.

Reinvestment risk is also the risk that future interest payments from a bond will not be reinvested at the prevailing interest rate when the bond was initially purchased. This risk is more likely when interest rates are declining.

***Use of Derivatives***

The Partnership may use derivative instruments. The use of derivatives may present additional risks to the Partnership. To the extent of the Partnership's investment in derivatives it may take a credit risk with respect to parties with whom it trades and may also bear the risk of settlement default. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Partnership from achieving the intended hedge effect or expose the Partnership to the risk of loss. In addition, derivative instruments may not be liquid at all times, so that in volatile markets the Partnership may not be able to close out a position without incurring a loss. Some derivatives, such as call options, may limit the potential for gain as well as loss. The cost of entering and maintaining derivative positions may reduce returns to investors. No assurance can be given that the use of derivatives, such as the purchase or sale of forward currency agreements or puts and calls and other techniques and strategies that may be utilized by the Partnership, will not result in material losses.

**The foregoing statement of risks does not purport to be a complete explanation of all the risks involved in purchasing the Units. Potential investors should read this entire Offering Memorandum and consult with their legal, tax and financial advisers before making a decision to invest in the Units.**

# CORPORATE GOVERNANCE

## General

The Manager has the authority to manage and direct the business, operations and affairs of the Fund and/or Partnership, subject to applicable law and the Management Agreement. The Manager has established appropriate policies, procedures and guidelines to ensure the proper management of the Fund and the Partnership. The systems implemented monitor and manage the business and sales practices, risks and internal conflicts of interest relating to the Fund and/or Partnership while ensuring compliance with regulatory and corporate requirements.

## Independent Review Committee

The Manager has appointed an Independent Review Committee ("**IRC**") for the Fund. Although not required to do so, the Manager has voluntarily appointed the IRC to act as an independent review committee for conflict of interest purposes for the Fund.

The members of the IRC are independent of the Manager, the Fund, and entities related to the Manager. The IRC will review conflicts of interest matters relating to the operations of the Fund. The cost associated with the IRC will form part of the operating expenses of the Fund. Each member of the IRC will receive an annual retainer and may receive a fee for each meeting of the IRC attended by the member, and may be reimbursed for reasonable expenses incurred.

The current members of the IRC are David Sharpless, Richard M. White and Simon Lewis and their biographies are as follows:

**David Sharpless** is the Chairman and CEO of Maverick Inc., a Canadian company that purchases consumer debt, the Chairman and CEO of New Carbon Economy Venture Management Inc., a private company which manages a number of investments in "green" technology companies and the Chairman and CEO of Maverick Inc., a family holding company. He was the Chairman of Hunter Keilty Muntz & Beatty Limited, a firm of international insurance brokers based in Toronto. Prior to joining Hunter Keilty Muntz & Beatty Limited in 2000, he was the Executive Chairman of Newcourt Credit Inc., a large publicly traded finance company and spent more than 20 years as a business lawyer with Blake, Cassels & Graydon.

**Richard M. White** is the external advisor to the Boards of Grason International Sourcing Inc. and Soleil Foodservice Limited, distributors of foodservice products throughout Europe, Russia and Asia. He is also a director and CFO of New Carbon Economy Fund1 LP, a private fund investing in "green" technology companies, in Canada. At the time of his retirement, in 2009, he was Senior Vice President, CFO and a Shareholder Partner of Hunter Keilty Muntz & Beatty Limited, Canada's largest privately owned commercial insurance brokerage offering high-level risk management services throughout Canada. Mr. White still serves as a member of HKMB/Hub International's Industry Council. Prior to joining HKMB in 2001, his career included 30 years' experience in senior roles in telecommunications, manufacturing, server based computing, coin-operated laundry systems and as a Partner at KPMG.

**Simon Lewis** is a partner in a private investment firm. Previously, he was President & CEO of Royal Mutual Funds (1994-2000), the mutual fund arm of Royal Bank. Mr. Lewis joined Royal Bank when it acquired Royal Trust in 1993 where he had been Vice President and part owner of the firm's mutual fund business. Mr. Lewis played a leadership role in the mutual fund industry as a Board Member of IFIC for several years during the 1990s. Mr. Lewis began his career in the advertising business after studying economics at Queen's University. From 1994-2000 Mr. Lewis was also a member of the Queen's Business School Advisory Board.

**Conflicts of Interest**

The Manager will not be devoting its time exclusively to the affairs of the Fund and Partnership. In addition, the Manager will perform similar or different services for others and may sponsor or establish other funds during the same period that it acts in relation to the Fund and/or Partnership. Additionally, the Fund and Partnership may invest in securities or borrow from lenders in which the Manager or its affiliates and associates have a current or previous affiliation. The Manager therefore, will have conflicts of interest in allocating investment opportunities, management time, services and functions among the Fund and/or Partnership and such other persons for which it provides services. However, the Manager will undertake to act in a fair and equitable manner as between the Fund, the Partnership and its other clients and at all times the Manager will ensure a fair and equitable allocation of its management time, services, functions and investment opportunities between the Fund and/or Partnership and any other such persons it provides services to. Also, the Administrator or other service provider engaged to calculate the Net Asset Value of the Fund and/or Partnership may consult from time to time with the Manager, and defer to the Manager who may in turn consult with a Mortgage Administrator or Specialty Investment Manager, when valuing a specific security to which the general valuation rules cannot or should not be applied (See "Net Asset Value"). This can create a conflict of interest for the Manager, as the Manager's remuneration is dependent upon the Net Asset Value of the Fund and/or Partnership. However, the Manager must discharge its duties according to a standard of care that requires it to act in the best interests of the Fund and/or Partnership, and will be held accountable under the Management Agreement if it fails to do so.

A Mortgage Administrator will enter into a Mortgage Administration and Services Agreement with the Partnership and will be entitled to earn a fee for providing services to the Partnership and to earn various fees from mortgagors on loans under its administration. A Mortgage Administrator must render its services under a Mortgage Administration and Services Agreement honestly and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities under a Mortgage Administration and Services Agreement in a conscientious, reasonable and competent manner. However, a Mortgage Administrator, its directors and officers, its affiliates, may at any time engage in promoting or managing other entities or their investments including Real Property financing that may compete directly or indirectly with the Partnership. A Mortgage Administrator may establish other investment vehicles which may involve transactions which conflict with the interests of the Partnership. (See *"Mortgage Administration and Services Agreement"*).

In addition, a Mortgage Administrator has sole discretion in determining which mortgages and investments it will make available to the Partnership for investment and will, at the same time and on an on-going basis, be sourcing investment opportunities for its own account or the account of others. A Mortgage Administrator, in exercising its discretion, will use its best judgment and act in such manner as it sees fit, having regard to the relative sizes, investment objectives, portfolio composition and financial capabilities of all of the entities involved, including, specifically the Partnership. (See *"The Mortgage Administrators"*).

A Specialty Investment Manager may enter into an agreement with the Partnership and may be entitled to earn a fee for providing services to the Partnership and to earn various fees from borrowers on loans under its administration. It will be expected that a Specialty Investment Manager will render its services under an agreement honestly and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities under such an agreement in a conscientious, reasonable and competent manner. However, a Specialty Investment Manager, its directors and officers, its affiliates, may at any time engage in promoting or managing other entities or their investments that may compete directly or indirectly with the Partnership. A Specialty Investment Manager may establish other investment vehicles which may involve transactions which conflict with the interests of the Partnership.

Whenever a conflict of interest arises between the Partnership, on the one hand, and a Mortgage Administrator or Specialty Investment Manager on the other hand, the parties involved, in resolving that conflict or determining any action to be taken or not taken, will be entitled to consider the relative interests of all of the parties involved in the conflict or that will be affected by such action, any customary or accepted industry practices, and such other matters as the parties deem appropriate in the circumstances.

The Manager has been engaged to direct the business, operations and affairs of the Fund and/or Partnership and will be paid fees for its services as set out herein. In addition, the Manager is a registered dealer participating in the offering of the Units to its clients for which it may receive an initial sales commission with respect to Series A Units and it will receive a trailing commission with respect to Series A Units. The Fund, the Partnership and any related issuers that are managed by the Manager from time to time may be considered to be "connected issuers" and "related issuers" of the Manager under applicable securities legislation. The Manager and the General Partner are controlled, directly or indirectly, by Michael Lee-Chin.

## FINANCIAL REPORTING

### Financial Statements

The Fund is not a reporting issuer for the purpose of applicable securities legislation. The Fund will prepare semi-annual unaudited and annual audited financial statements which will be available at no cost by calling toll-free 1-888-710-4242 or visiting www.portlandic.com.

### Language of Documents (Québec residents only)

If a purchaser is a resident of or subject to the laws of the province of Québec, the purchaser and the Fund agree that it is their express wish that the subscription agreement as well as all other documents related to it, including notices, shall be drawn up in the English language only.

*Les parties aux présentes confirment leur volonté expresse de voir la convention de souscription, même que tous les documents, y compris tous avis, s'y rattachant, rédigés en langue anglaise seulement.*

## AUDITOR

The auditor of the Fund and Partnership is KPMG LLP.

## STATUTORY RIGHTS OF ACTION AND RESCISSION

### Cooling-off Period

Securities legislation in certain provinces may give a purchaser certain rights of rescission by giving written notice to the registered dealer from whom the purchase was made, but those rights must be exercised within a certain time period as little as forty-eight (48) hours following the purchase of Units.

### Rights of Action for Damages or Rescission

In addition to and without derogation from any right or remedy that a purchaser of the Units may have at law, securities legislation in certain of the provinces and territories of Canada provides that a purchaser has or must be granted rights of rescission or damages, or both, where this Offering Memorandum and any amendment thereto contains a misrepresentation. However, such rights and remedies, or notice

with respect thereto, must be exercised by the purchaser within the time limits prescribed by the applicable securities legislation.

As used herein, "**Misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement in this Offering Memorandum or any amendment hereto not misleading in light of the circumstances in which it was made. A "**material fact**" means a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of the Units. The meaning of "misrepresentation" and "material fact" may differ slightly depending on the jurisdiction.

In most jurisdictions there are defences available to the persons or companies that a purchaser may have a right to sue. In particular, in many jurisdictions, the person or company that a purchaser sues will not be liable if the purchaser knew of the misrepresentation when the purchaser purchased the Units. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchaser within the time limit prescribed by the applicable securities legislation.

The following is a summary of the rights of rescission or damages, or both, available to investors under the securities legislation of certain provinces and territories of Canada. Purchasers should refer to the applicable provisions of the securities legislation of their province or territory of residence for the particulars of statutory rights, if any, available to them in their province or territory, or consult with a legal adviser.

Rights for Purchasers in Ontario

If this Offering Memorandum, together with any amendment hereto, delivered to a purchaser of Units resident in Ontario contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Units by such purchaser, the purchaser will have, without regard to whether the purchaser relied on such Misrepresentation, a right of action against the Fund for damages or, while still the owner of the Units purchased by that purchaser, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Fund, provided that:

(a) the Fund shall not be held liable pursuant to either right of action if the Fund proves the purchaser purchased the Units with knowledge of the Misrepresentation;

(b) in an action for damages, the Fund is not liable for all or any portion of such damages that it proves do not represent the depreciation in value of the Units acquired by the purchaser as a result of the Misrepresentation relied upon;

(c) the Fund will not be liable for a Misrepresentation in forward-looking information if the Fund proves that:

(i) this Offering Memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

(ii) the Fund has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information;

(d) in no case shall the amount recoverable pursuant to such right of action exceed the purchase price of the Units acquired; and

(e) no action may be commenced to enforce such right of action more than:

(i) in the case of an action for rescission 180 days after the date of the acceptance of the purchaser's Subscription Agreement by the Manager; or

(ii) in the case of an action for damages, the earlier of:

(1) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or

(2) three years after the date of the acceptance of the purchaser's Subscription Agreement by the Manager.

The foregoing rights do not apply if the purchaser purchased Units of the Fund using the "accredited investor" exemption and is:

(a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act;

(b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(c) a Schedule III bank;

(d) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

(e) a subsidiary of any person referred to in paragraphs (a) to (d) above, if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

Rights for Purchasers in Saskatchewan

If this Offering Memorandum or any amendment thereto or advertising or sales literature used in connection therewith delivered to a purchaser resident in Saskatchewan contains a Misrepresentation at the time of purchase, a purchaser will be deemed to have relied upon that Misrepresentation and will have a right of action for damages against the Fund, every promoter, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company, every person or company who signed this Offering Memorandum and every person who or company, or director of such company, that sells the Units on behalf of the Fund under this Offering Memorandum or amendment thereto, or, alternatively, a purchaser may elect to exercise a right of rescission against the Fund, provided that among other limitations:

(a) no person or company is liable, nor does a right of rescission exist, where the person or company proves that the purchaser purchased the Units with knowledge of the Misrepresentation;

(b) in an action for damages, no person or company will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied on;

(c) in no case shall the amount recoverable exceed the price at which the Units were sold to the investor;

(d) no action shall be commenced to enforce these rights more than:

(i) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(ii) in the case of any action, other than an action for rescission, the earlier of one year after the purchaser first had knowledge of the facts giving rise to the cause of action or six years after the date of the transaction that gave rise to the cause of action;

(e) a person or company is not liable in an action for a misrepresentation in forward-looking information if the person or company proves that:

(i) this Offering Memorandum contains, proximate to that information:

(1) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and

(2) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

(ii) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;

(f) no person or company (excluding the Fund) will be liable if the person or company proves that (i) the Offering Memorandum was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of its sending or delivery, the person or company immediately gave reasonable general notice to the Fund that it was sent or delivered without the person's or company's knowledge, or (ii) after delivery of this Offering Memorandum and before the purchase of the Units by the purchaser, on becoming aware of any Misrepresentation, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable general notice to the Fund of the withdrawal and the reason for it; and

(g) no person or company (but excluding the Fund) will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert, or to be a copy of or an extract from a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable

grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation.

The Fund shall amend the Offering Memorandum if the distribution of the Units has not been completed and (i) there is a material change in the affairs of the Fund, (ii) it is proposed that the terms or conditions of the offering described in the Offering Memorandum be altered, or (iii) Units are to be distributed in addition to the Units previously described in the Offering Memorandum. A purchaser that receives an amended Offering Memorandum has the right to withdraw from the agreement to purchase the Units by delivering a notice to the person who or company that is selling the Units, indicating the purchaser's intention not to be bound by the purchase agreement. A purchaser must deliver the notice of withdrawal within two business days after receiving the amended Offering Memorandum.

These rights are subject to certain defences as more particularly described in *The Securities Act, 1988* (Saskatchewan).

Rights for Purchasers in Manitoba

If this Offering Memorandum delivered to a purchaser of Units resident in Manitoba contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Units by such purchaser, the purchaser will be deemed to have relied on such Misrepresentation and will have a right of action against the Fund, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company, every person or company who signed this Offering Memorandum, for damages or for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Fund, provided that among other limitations:

(a) the Fund will not be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;

(b) in the case of an action for damages, the Fund will not be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the Units as a result of the Misrepresentation;

(c) other than with respect to the Fund, no person or company is liable if the person or company proves

  (i) that this Offering Memorandum was sent to the purchaser without the person's or company's knowledge or consent; and

  (ii) that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the Fund that it was sent without the person's or company's knowledge and consent;

(d) other than with respect to the Fund, no person or company is liable if the person or company proves that, after becoming aware of the Misrepresentation, the person or company withdrew the person's or company's consent to this Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it;

(e) other than with respect to the Fund, no person or company is liable with respect to any part of this Offering Memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company:

(i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation; or

(ii) believed there had been a Misrepresentation;

(f) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the purchaser; and

(g) the right of action for rescission or damages will be exercisable only if the purchaser commences an action to enforce such right, not later than:

(i) in the case of an action for rescission, 180 days after the date of purchase of the Units; or

(ii) in the case of an action for damages, the earlier of (A) 180 days following the date the purchaser first had knowledge of the Misrepresentation, and (B) two years after the date of purchase of the Units.

A person or company is not liable in an action for a Misrepresentation in forward-looking information if the person or company proves that:

(a) this Offering Memorandum contains, proximate to that information:

(i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and

(ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

(b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

If a Misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, this Offering Memorandum, the Misrepresentation is deemed to be contained in this Offering Memorandum.

Rights for Purchasers in New Brunswick

Where this Offering Memorandum, or any amendment hereto, contains a Misrepresentation, a purchaser resident in New Brunswick to whom this Offering Memorandum has been delivered and who purchases the Units shall be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase, and the purchaser has a right of action for damages against the Fund, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company, and every person who signed this Offering Memorandum, or the purchaser may elect to exercise a right of rescission against the Fund, in which case the purchaser shall have no right of action for damages against the Fund, provided that, among other limitations:

(a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;

(b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do 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 under the right of action described herein exceed the price at which the Units were offered;

(d) a person is not liable in an action for a Misrepresentation in forward-looking information if the person proves all of the following:

(i) this Offering Memorandum contains, proximate to that information:

(1) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and

(2) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

(ii) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information; and

(e) no action shall be commenced to enforce these statutory rights of action more than

(i) in an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action; or

(ii) in an action for damages, the earlier of: (i) one year after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

Rights for Purchasers in Nova Scotia

Where this Offering Memorandum or any amendment hereto or any advertising or sales literature contains a Misrepresentation, a purchaser resident in Nova Scotia to whom this Offering Memorandum has been delivered and who purchases the Units shall be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and the purchaser has a right of action for damages against the Fund and, subject to certain additional defences, against every person acting in a capacity with respect to the Fund which is similar to that of a director of a company and every person who signed this Offering Memorandum, or alternatively, may elect to exercise a right of rescission against the Fund, provided that, among other limitations:

(a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;

(b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do 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 under the right of action described herein exceed the price at which the Units were offered;

(d) a person or company is not liable in an action for a Misrepresentation in forward-looking information if the person proves all of the following things:

(i) this Offering Memorandum contains, proximate to that information:

(1) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and

(2) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

(ii) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;

(e) no person or company other than the Fund is liable if the person or company proves that:

(i) this Offering Memorandum or the amendment to this Offering Memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent; or

(ii) after delivery of this Offering Memorandum or the amendment to this Offering Memorandum and before the purchase of the Units by the purchaser, on becoming aware of any Misrepresentation in this Offering Memorandum, or amendment to this Offering Memorandum, the person or company withdrew the person's or company's consent to this Offering Memorandum, or the amendment to this Offering Memorandum, and gave reasonable general notice of the withdrawal and the reason for it;

(f) other than with respect to the Fund, no person or company is liable with respect to any part of this Offering Memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company:

(i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation; or

(ii) believed there had been a Misrepresentation;

(g) no action may be commenced to enforce a right of action more than 120 days:

(i) after the date on which payment was made for the Units; or

(ii) after the date on which the initial payment was made.

If a Misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, this Offering Memorandum or an amendment to this Offering Memorandum, the Misrepresentation is deemed to be contained in this Offering Memorandum or an amendment to this Offering Memorandum.

Rights for Purchasers in Newfoundland and Labrador

If this Offering Memorandum, together with any amendment to this Offering Memorandum or any record incorporated by reference in, or considered to be incorporated into this Offering Memorandum contains a Misrepresentation and it was a Misrepresentation at the time of purchase, a purchaser in Newfoundland and Labrador has, in addition to any other right that the purchaser may have under law and without regard to whether the purchaser relied on the Misrepresentation, a right of action for damages against the Fund, every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company at the date of this Offering Memorandum and every person who signed this Offering Memorandum, for damages or, alternatively, while still the owner of the purchased Units, for rescission against the Fund (in which case the purchaser will cease to have a right of action for damages), provided that:

(a) no action shall be commenced to enforce the foregoing rights:

(i) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or

(ii) in the case of any action, other than an action for rescission, the earlier of: (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of the action; or (ii) three years after the date of the transaction that gave rise to the cause of the action;

(b) no person or company will be liable if the person or company proves that the purchaser purchased the Units with knowledge of the Misrepresentation;

(c) no person or company (other than the Fund) will be liable if:

(i) the person or company proves that this Offering Memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Fund that it was sent without the knowledge and consent of the person or company;

(ii) the person or company proves that the person or company, on becoming aware of any Misrepresentation in this Offering Memorandum, withdrew the person's or company's consent to this Offering Memorandum and gave reasonable notice of the withdrawal to the Fund and the reason for it; and

(iii) with respect to any part of this Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed

to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation; or (ii) believed that there had been a Misrepresentation;

(d) a person or company is not liable in an action for a Misrepresentation in forward-looking information if the person proves all of the following:

(i) this Offering Memorandum contains, proximate to that information:

(1) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and

(2) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

(ii) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;

(e) in an action for damages, the defendant will not be liable for all or any part of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation; and

(f) in no case shall the amount recoverable exceed the price at which the Units were offered to the purchaser under this Offering Memorandum.

Rights for Purchasers in Prince Edward Island

If this Offering Memorandum, together with any amendment to this Offering Memorandum, delivered to a purchaser resident in Prince Edward Island contains a Misrepresentation and it was a Misrepresentation at the time of purchase, the purchaser will be deemed to have relied upon the Misrepresentation and will have a right of action against the Fund, and every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company at the date of this Offering Memorandum and every person who signed this Offering Memorandum, for damages or, alternatively, while still the owner of the Units, for rescission against the Fund, provided that:

(a) no action shall be commenced to enforce the foregoing rights:

(i) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or

(ii) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of the action, or (ii) three years after the date of the transaction that gave rise to the cause of the action;

(b) no person or company will be liable if the person or company proves that the purchased the Units with knowledge of the Misrepresentation;

(c) no person or company (other than the Fund) will be liable if it proves that (i) the Offering Memorandum was delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent, or (ii) on becoming aware of any Misrepresentation in the Offering Memorandum, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable general notice of the withdrawal and the reason for it;

(d) no person or company (other than the Fund) will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation or (ii) believed that there had been a Misrepresentation;

(e) a person is not liable in an action for a Misrepresentation in forward-looking information if:

(i) this Offering Memorandum contains, proximate to that information:

(1) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and

(2) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

(ii) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;

(f) in an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon; and

(g) in no case shall the amount recoverable exceed the price at which the Units were sold to the purchaser.

**General**

The foregoing summaries are subject to the express provisions of the applicable securities legislation and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

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