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*The Units have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the Securities Act). In addition, Next Edge RCM Private Yield Fund (the “Fund”) has not been and will not be registered under the US Investment Company Act of 1940, as amended (the “US Investment Company Act”), and the recipient of this document will not be entitled to the benefits of the US Investment Company Act. This document must not be distributed into the United States or to US Persons. Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved of these securities or determined if this document is truthful or complete. Any representation to the contrary is a US criminal offence.*

Continuous Offering

July 1, 2021

## **NEXT EDGE RCM PRIVATE YIELD FUND**

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## **CONFIDENTIAL OFFERING MEMORANDUM**

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### **Offering of Class A and F Units**

Class A Units

NEC 511

Class F Units

NEC 513

Next Edge RCM Private Yield Fund (the “**Fund**”) is an open-ended investment trust which has been formed and organized under the laws of the Province of Ontario pursuant to a trust agreement (the “**Trust Agreement**”), as may be amended and restated from time to time. An unlimited number of classes of transferable units (the “**Units**”) may be established by the Fund (individually a “**Class**” or collectively, the “**Classes**”). There are two Classes of Units offered under this Offering Memorandum - Class A and Class F.

Units are offered continuously for sale in the relevant offering jurisdictions at their Class Net Asset Value per Unit determined as of the most recent Valuation Date (as defined below), pursuant to exemptions from the prospectus requirements of applicable securities legislation.

**Investment Objective:** The investment objective of the Fund is to provide opportunistic financing to private and public companies via highly-customized investments which are primarily in the form of secured debt in order to achieve above average risk-adjusted returns with minimal correlation to most traditional asset classes.

**Investment Strategy:** The Fund intends to achieve its investment objective by initially investing all of its net assets in a portfolio of debt and debt-like investments which may be obtained either directly through investments held by the Fund and sourced and administered by R.C. Morris Capital Management Ltd. (“**R.C. Morris**”) or through exposure via an investment in units of R.C. Morris & Company Special Opportunities Fund III Limited Partnership or certain other partnerships as may be established from time to time by R.C. Morris or its affiliates (each a “**R.C. Morris Partnership**”, and collectively, the “**R.C. Morris Partnerships**”).

Typically, the Fund’s investments whether direct or indirect through an investment in a R.C. Morris Partnership will fall within the following parameters:

- Privately originated and negotiated
- Short to medium term investment horizon – 6 to 36 months
- General security agreements and wide-ranging registered security interests in place for investments
- Investment capacity fixed by determining the liquefiable values of specific secured assets, pools of assets or predictable future cash flows.

In this Offering Memorandum “\$” refers to Canadian dollars unless otherwise expressly specified.

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**SUBSCRIPTION PRICE: NET ASSET VALUE PER UNIT**  
**MINIMUM SUBSCRIPTION: \$10,000 for Class A and F Units**

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**Management of the Fund:** Next Edge Capital Corp. (the “**Manager**” or the “**Investment Manager**”) is the trustee of the Fund and the manager and investment manager of the Fund and, therefore, is responsible for the day-to-day responsibilities for the investment and administrative affairs of the Fund. In consideration of the services provided to the Fund the Manager is entitled to receive a management fee (the “**Fund Management Fee**”).

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 Class A Units and it may receive a trailing commission with respect to Class A Units. The Fund and any other issuers that are managed by the Manager from time to time may be considered to be “connected issuers” of the Manager under applicable securities legislation. The Manager is controlled, directly or indirectly, by many of the same individuals. See “Corporate Governance – Conflicts of Interest”.

**The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. The Fund is not an investment fund under Canadian securities laws and is not subject to rules and regulations that apply to investment funds. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. See “Risk Factors”.**

**There is no guarantee that an investment in the Fund will earn any positive return. A subscription in the Fund is appropriate only for investors who have the capacity to absorb the loss of some or all of their investment. 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. There is no market through which the Units may be sold and none is expected to develop. Transfer of the Units is subject to approval by the Manager and the Units are also subject to resale restrictions under applicable securities legislation. Persons who receive this Offering Memorandum must inform themselves of, and observe, all applicable restrictions with respect to the acquisition or disposition of Units under applicable securities legislation. There are certain additional risk factors associated with investing in the Units.**

Investors should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in Units. See “Resale Restrictions” and “Risk Factors”.

The Units will be issued only since information contained in this Offering Memorandum and provided by the Fund in writing, and no other information or representation is authorized or may be relied upon as having been authorized by the Fund. Any subscription for Units made by any person since statements or representations not contained in this Offering Memorandum shall be solely at the risk of such person. Neither the delivery of this Offering Memorandum at any time nor any sale of Units shall, under any circumstances, constitute a representation or create any implication that there has been no change in the business and affairs of the Fund since the date of the sale to any other purchaser of the Units offered hereby, or that the information contained herein is correct as of any time subsequent to the date hereof.

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## GLOSSARY OF TERMS

<b>“Accredited Investor”</b>	<i>means an “accredited investor” as defined under National Instrument 45-106 – Prospectus Exemptions.</i>
<b>“Accredited Investor Exemption”</b>	<i>has the meaning given to it under “Purchase of Units – Minimum Investment”.</i>
<b>“allowable capital loss”</b>	<i>has the meaning given to it under “Canadian Federal Income Tax Considerations Taxation of the Fund”.</i>
<b>“Business Day”</b>	<i>means any day, other than a Saturday or a Sunday, or a day on which commercial banks in Toronto remain closed.</i>
<b>“capital gains refund”</b>	<i>has the meaning given to it under “Canadian Federal Income Tax Considerations – Taxation of the Fund”.</i>
<b>“Class”</b>	<i>means any class of Units of the Fund authorized from time to time.</i>
<b>“Classes”</b>	<i>means collectively the classes of Units of the Fund authorized from time to time.</i>
<b>“Class A Unit”</b>	<i>means a Class A Unit of the Fund that carries a front-end load sales commission of up to 3.00% of the subscription amount.</i>
<b>“Class F Unit”</b>	<i>means a Class F Unit of the Fund which may be purchased by investors who are enrolled in a dealer sponsored fee-for-service or “wrap” program and who are subject to an annual asset-based fee.</i>
<b>“Class Net Asset Value”</b>	<i>means the portion of the Net Asset Value attributable to a Class calculated as described under “Valuation”.</i>
<b>“Class Net Asset Value per Unit”</b>	<i>means the Net Asset Value attributable to each Unit of a Class calculated as described under “Valuation”.</i>
<b>“CRA”</b>	<i>means the Canada Revenue Agency.</i>
<b>“Custodian Agreement”</b>	<i>means the agreement entered into for custodial services with RBC Investor Services Trust located in Toronto, Ontario, dated May 7, 2016, as may be amended from time to time.</i>
<b>“Fund”</b>	<i>means Next Edge RCM Private Yield Fund.</i>
<b>“Fund Incentive Allocation”</b>	<i>means allocations from the Fund to the Manager equal to the percentage of returns above the Hurdle Rate.</i>
<b>“Fund Management Fee”</b>	<i>means a management fee calculated and payable monthly to the Manager which is a percentage of the Class Net Asset Value, in respect of each Class of Units.</i>
<b>“HST”</b>	<i>means Harmonized Sales Tax which combines the respective provincial sales tax with the federal goods and services tax.</i>
<b>“Hurdle Rate”</b>	<i>means a return of 8% per annum.</i>
<b>“Information”</b>	<i>means in respect of each purchaser of Units, the name and other specified personally identifiable information that the purchaser of Units acknowledges that the Fund and its</i>

	<i>respective agents and advisers may each collect, and disclose, including the amount of the Units that it has purchased for purposes of meeting legal, regulatory and audit requirements and as otherwise permitted or required by law or regulation.</i>
<b>“Investment Application”</b>	<i>means the subscription booklet, investment application forms and any ancillary agreements required to be completed for a purchase of Units, in the form prescribed by the Manager from time to time.</i>
<b>“Investment Manager”</b>	<i>means Next Edge Capital Corp., a corporation incorporated under the laws of the Province of Ontario, or any successor thereto appointed as investment manager of the Fund pursuant to the terms of the Trust Agreement.</i>
<b>“Long Term Loans”</b>	<i>means collectively, private commercial loans (including but not limited to first and second lien senior loans, term debt and bridge loans consisting of senior and subordinated debentures plus participation rights).</i>
<b>“Management Agreement”</b>	<i>has the meaning given to it under “Management Agreement”.</i>
<b>“Manager”</b>	<i>means Next Edge Capital Corp., a corporation incorporated under the laws of the Province of Ontario, or any successor thereto appointed as manager of the Fund pursuant to the terms of the Trust Agreement.</i>
<b>“Material Fact”</b>	<i>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.</i>
<b>“Misrepresentation”</b>	<i>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 the Offering Memorandum or any amendment hereto not misleading in light of the circumstances in which it was made.</i>
<b>“Net Asset Value”</b>	<i>means the net asset value of the Fund calculated as described under “Valuation of the Fund”.</i>
<b>“Notice”</b>	<i>means a duly completed and properly executed notice, in a form reasonably acceptable to the Manager requesting redemption of Units.</i>
<b>“NI 81-106”</b>	<i>means National Instrument 81-106- Investment Fund Continuous Disclosure.</i>
<b>“Offering Jurisdictions”</b>	<i>means each of the provinces and territories of Canada.</i>
<b>“Partnership Act”</b>	<i>means Partnership Act (British Columbia).</i>
<b>“R.C. Morris”</b>	<i>means R.C. Morris Capital Management Ltd.</i>
<b>“R.C. Morris Partnerships”</b>	<i>means R.C. Morris &amp; Company Special Opportunities Fund III Limited Partnership or and any other partnerships established by R.C. Morris or its affiliates having an investment objective and investment strategies substantially similar to those of R.C. Morris &amp; Company Special Opportunities Fund III Limited Partnership.</i>
<b>“R.C. Morris Incentive Allocation”</b>	<i>means the incentive allocation from a R.C. Morris Partnership to the general partner of the R.C. Morris Partnership.</i>
<b>“R.C. Morris Management Fee”</b>	<i>means a management fee paid by a R.C. Morris Partnership to the manager of the R.C. Morris Partnership.</i>
<b>“Redemption Date”</b>	<i>means the date that the redemption Notice is received by the Manager.</i>

<b>“Redemption Fee”</b>	<i>means a fee payable on redemptions within 12 months of initial purchase, at the sole discretion of the Manager, equal to 2% of the Net Asset Value of such Units redeemed calculated as of the applicable Valuation Date, which is deducted from the redemption proceeds and retained by the Fund for the benefit of existing Unitholders.</i>
<b>“Redemption Price”</b>	<i>means, in respect of the redemption of a Class of Units, a price per Unit equal to 95% of the Class Net Asset Value per Unit for the applicable Class calculated as of the first Valuation Date immediately preceding the Redemption Date.</i>
<b>“Registered Dealer”</b>	<i>means dealers, brokers, portfolio managers or other firms registered under applicable securities laws in the Offering Jurisdictions where such registration is required, or such other persons who may be permitted under applicable securities law, to sell or purchase Units.</i>
<b>“Registered Plans”</b>	<i>has the meaning given to it under “Eligibility for Investment”.</i>
<b>“Regulations”</b>	<i>means the current provisions of the Tax Act and the regulations thereunder.</i>
<b>“Relationship Agreement”</b>	<i>means the relationship agreement dated effective June 1, 2017 between the Manager and R.C. Morris pursuant to which the Manager engaged R.C. Morris to originate, structure, negotiate and administer certain debt investments for investment funds and other investment vehicles established and managed by the Manager.</i>
<b>“Reinvested Units”</b>	<i>means a distribution which rather than being payable by way of a cash distribution is payable and paid to Unitholders in the form of additional Units.</i>
<b>“RRIF”</b>	<i>means a Registered Retirement Income Fund.</i>
<b>“RRSP”</b>	<i>means a Registered Retirement Savings Plan.</i>
<b>“Scenario 2 Redemption Date”</b>	<i>means a Valuation Date that is at least 180 calendar days following the date that the Notice is received by the Manager.</i>
<b>“SIFT trust”</b>	<i>means a specified investment flow-through trust.</i>
<b>“Task Force”</b>	<i>means the Fund Risk Classification Task Force of The Investment Funds Institute of Canada.</i>
<b>“taxable capital gains”</b>	<i>has the meaning given to it under “Canadian Federal Income Tax Considerations - Taxation of the Fund”.</i>
<b>“Tax Act”</b>	<i>means the Income Tax Act (Canada) as now or hereafter amended, or successor statutes, and shall include regulations promulgated thereunder.</i>
<b>“Termination Event”</b>	<i>means certain events as set-out in “Trust Agreement – Termination”, upon which the occurrence of any such event will result in the Fund being terminated immediately thereafter.</i>
<b>“TFSA”</b>	<i>means a Tax-Free Savings Account.</i>
<b>“Trust Agreement”</b>	<i>means the trust agreement of the Fund dated June 1, 2017 between the Manager and the Trustee.</i>
<b>“Trustee”</b>	<i>means Next Edge Capital Corp., a corporation incorporated under the laws of the Province of Ontario, or any successor thereto appointed as trustee of the Fund pursuant to the terms of the Trust Agreement.</i>

<b>“Underlying Funds”</b>	<i>means the collective investment of the Fund in investment funds, exchanged-traded funds, partnerships and mutual funds.</i>
<b>“Unitholder”</b>	<i>means the holder of one or more Units.</i>
<b>“Units”</b>	<i>means the units of each Class of Units of the Fund which can be purchased on a monthly basis.</i>
<b>“Valuation Agent”</b>	<i>means RBC Investor Services Trust, or such other entity as is appointed by the Manager as the party responsible for calculating the Net Asset Value of the Fund.</i>
<b>“Valuation Date”</b>	<i>means the last Business Day of each month, or if not a Business Day, the following Business Day, or such other day or days as determined from time to time by the Manager.</i>
<b>“\$”</b>	<i>means Canadian dollars, unless otherwise expressly specified.</i>

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

*This Offering Memorandum contains forward-looking statements. All statements, other than statements of historical fact that address activities, events or developments that the Fund believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding any objectives and strategies of the Fund) are forward-looking statements. These forward-looking statements reflect the current expectations, assumptions or beliefs of the Manager based on information currently available to such persons. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Fund to differ materially from those discussed in the forward-looking statements; and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Fund. Factors that could cause actual results or events to differ materially from current expectations include, among other things, volatility in financial markets, fluctuations in currency exchange rates and interest rates, tax consequences, changes in applicable laws and other risks associated with investing in securities and those factors discussed under the section entitled "Risk Factors" in this Offering Memorandum.*

*Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Fund disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Manager believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.*

*This 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 this Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein. No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any information or representation which is given or received must not be relied upon.*

***Subscribers are encouraged to consult with their independent legal and tax advisers prior to signing the subscription agreement to purchase Units and to carefully review the Trust Agreement of the Fund.***

## THE FUND

Next Edge RCM Private Yield Fund (the “**Fund**”) is an open-ended investment trust which has been formed and organized under the laws of the Province of Ontario pursuant to a trust agreement (the “**Trust Agreement**”), as may be amended and restated from time to time. The address of the Fund’s principal office and Manager is 1 Toronto Street, Suite 200, Toronto, Ontario, Canada M5C 2V6.

An investment in the Fund is represented by trust units (the “**Units**”). An unlimited number of classes of units may be established by the Fund (individually a “**Class**” or collectively, the “**Classes**”). There are two Classes of Units offered under this Offering Memorandum - Class A and Class F. All of the Classes have the same investment objective, strategy and restrictions but differ in respect of one or more of their features, including but not limited to management fees, expenses, or commissions as further set out in this Offering Memorandum. Additional Classes may be offered at the Manager’s discretion.

Each Unit of a Class represents an undivided ownership interest in the assets attributable to that Class of Units. Units are transferable on the register of the Fund only by a registered Unitholder or his/her legal representative, subject to compliance with applicable securities laws and the approval of the Manager.

The only undertaking of the Fund is the investment of its assets as described herein.

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 on 30 days written notice by the Manager to each Unitholder.

Prospective investors are encouraged to consult their own professional advisors as to the tax and legal consequences of investing in the Fund.

### **The Manager**

The Trustee has engaged Next Edge Capital Corp. (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 the 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 formed under the laws of Ontario. The principal place of business of the Manager is 1 Toronto Street, Suite 200, Toronto, Ontario, Canada M5C 2V6. 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.

### **The Market for Private Debt Opportunities**

The private debt market covers the wide range of lending activities performed outside of the auspices of regulated deposit-taking institutions. This market, excluding insurance companies and pension funds had assets under management of \$80 trillion in 2014 (Source: Financial Stability Board, Global Shadow Banking Monitoring Report 2015), having grown at 5.6% per year during the preceding 4 years, even as the total banking system’s assets remained flat.

The tightening of banking regulations in 2010 by way of Basel III and the Dodd Frank Act have driven most banks to scale back their lending activities in order to meet updated regulatory and capital control regimes. This ‘scaling back’ has 1) reduced the flexibility of lending structures, 2) increased the length of time it takes to issue debt, and 3) narrowed the profile of companies deemed eligible for bank debt.

These factors leave many small to medium sized companies unable to gain access to capital through these normal bank channels, providing a growing opportunity for alternate private debt providers.

The Fund intends to capitalize on this gap in the market by providing premium-priced debt facilities to solve some or all of these three issues for prospective borrowers.

## INVESTMENT OBJECTIVE AND STRATEGIES

### Investment Objective of the Fund

The investment objective of the Fund is to provide opportunistic financing to private and public companies via highly-customized investments which are primarily in the form of secured debt and debt-like instruments in order to achieve above average risk-adjusted returns with low correlation to most traditional asset classes.

There can be no assurance that the Fund's investment objectives will be achieved. Investment results may vary substantially over time.

### Investment Strategies of the Fund

The Fund intends to achieve its investment objective by initially investing all or substantially all of its net assets in a portfolio of debt and debt-like investments which may be obtained either directly through investments held by the Fund and sourced and administered by R.C. Morris or through exposure via an investment in units of R.C. Morris Partnerships, but may from time to time determine that the investment objective of the Fund can be best achieved through direct investment in underlying securities, administered by R.C. Morris, so long as the Manager determines in advance in consultation with its legal advisors that any such investment will not adversely impact the Fund from a tax perspective.

Typically, the Fund's investments, whether direct or indirectly through an investment in a R.C. Morris Partnership, will fall within the following parameters:

- Privately originated and negotiated
- Short to medium term investment horizon – 6 to 36 months
- General security agreements and registered security interests in place for investments
- Investment capacity fixed by determining the liquefiable values of specific secured assets, pools of assets or predictable future cash flows.

Typically, the Fund's investments, whether direct or indirectly through an investment in a R.C. Morris Partnership, will be in companies that have valuable underlying core businesses or assets but that are unable to access traditional funding because of their stage of development, size, perceived riskiness, complexity, management or board issues, legacy balance sheet problems, general history or timing.

Integral to the investment strategy of the Fund is the experience and capacity of R.C. Morris in restructurings, workouts, turnarounds, forensic accounting, mergers, acquisitions and disposals, and interim management services. This makes possible both the creative structuring of financing solutions while safeguarding the capital of the Fund, and pro-active involvement with the investee companies to ensure both present and future compliance with the terms of the facilities.

The Fund will only make investments where the Manager in consultation with R.C. Morris believes that in an event of default, the full amount owing to the Fund can be repaid by taking control of the company's secured assets and actively pursuing any or all of the following:

- liquidation of the assets;
- aggressive working capital management; and
- managing out a recurring revenue tail.

The Fund will generally invest, directly or indirectly in companies which are located in North America. Large transactions may be syndicated.

The Fund will invest, directly or indirectly through investments in R.C. Morris Partnerships, in both senior and subordinated debt with the intent of building a portfolio, either directly or indirectly, of private income-generating securities. 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, so long as the Manager determines in advance in consultation with its legal advisors that any such investment will not adversely impact the Fund or the Unitholders.

The Fund will focus on identifying opportunities primarily through R.C. Morris, a firm that makes debt and debt-like investments in companies and other entities/vehicles that are otherwise unable to access financing. These entities are often overlooked or underappreciated by the general financial community due to their stage of development, size, perceived riskiness, complexity, management or board issues, legacy balance sheet problems, general history or timing.

Integral to the investment strategy of the Fund is capital preservation through senior liens on collateral assets with visible short-term cash flows and/or liquidation or break-up values, and other secure strategies to invest in the private debt markets.

The Manager will attempt to limit overexposure to any one industry or asset type. However, the Fund has no geographic, industry sector, asset class or market capitalization restrictions.

The investments and/or underlying assets and contracts may have varying terms with respect to collateralization, seniority or subordination, purchase price, convertibility, interest, term, and maturity.

The Fund may be invested, directly or indirectly, in first and second lien senior loans, term mezzanine debt and bridge loans, consisting of secured senior and subordinated debentures, and equity. The Fund may participate in investments on a syndicated basis, as well as receive equity positions as a potential return source on its investments.

During periods when the Manager cannot find suitable secure opportunities, the Fund will hold secure cash instruments. The Fund may hold cash in short-term debt instruments, money market funds or similar temporary instruments, pending full investment of the Fund's capital and at any time deemed appropriate by the Manager.

Derivatives may be used to limit or hedge potential losses associated with currencies, specific securities and interest rates. Derivatives may include forward currency agreements and options.

Investments may be made by the Fund through intermediary vehicles, such as the R.C. Morris Partnerships. Intermediary vehicles include, without limitation, special purpose vehicles or joint ventures, general or limited partnerships, and limited liability companies. The Fund may seek to fully control any such intermediary vehicles, but may also hold investments through joint ventures where the Fund will seek to retain control over management, sale, and financing of the venture's assets or alternatively will have a viable mechanism for exiting the venture, within a reasonable period of time. Unless otherwise provided for in this Offering Memorandum, an investment into an intermediary vehicle should be treated as if it were direct investment made by the Fund in the assets of the intermediary vehicle and is therefore not subject to the individual investment concentration investment restriction below.

The Fund will follow the investment strategies for the Fund as described herein. The Investment Strategies of the Fund may be changed from time to time by the Manager to adapt to changing circumstances and the Unitholders shall be provided not less than 30 days prior written notice of any material changes to the Investment Strategies.

## **Investment Restrictions**

The Fund's investments are subject to the following investment restriction:

- a) The Fund shall not invest more than 15% of the Net Asset Value of the Fund in any one investment. For the purposes of this investment restriction, all amounts and percentage limitations will be determined on the date of the relevant investment, and any subsequent change in any applicable percentage resulting from changing Net Asset Values will not require the disposition of any investment.

This investment restriction need not be complied with during the initial 12-month period following the date of the Fund's first investment provided that the Manager endeavours to ensure at all times an appropriate level of diversification of risk within the Fund's portfolio. Also, unless otherwise provided for in this Offering Memorandum, an investment into an intermediary vehicle, such as a R.C. Morris Partnership should be treated as if it were direct investment made by the intermediary vehicles in the assets of the intermediary vehicle for the purpose of this investment restriction.

In addition, this restriction shall not apply to investments in liquid assets or securities issued or guaranteed by a member state of the Organization for Economic Cooperation and Development ("OECD") or by its local authority or by supranational institutions and organizations with regional or worldwide scope. For the purposes of the foregoing paragraph, "liquid assets" means cash or cash equivalents including, *inter alia* and without limitation, investments in units of money market Funds, time deposits and regularly negotiated money market instruments, the remaining maturity of which is less than 12 months, treasury bills and bonds issued by OECD countries or their local authorities or by supranational institutions and organizations with worldwide scope as well as bonds admitted to official listing on a stock exchange or dealt on a regulated market, issued by first-class issuers and highly liquid.

## **Loan Facilities**

The Fund may enter into loan facilities with one or more lenders. The Manager views the loan facilities as having three potential uses:

- (a) to provide liquidity in the event of Unitholder redemptions. There is no secondary market for many private investments, so there is relatively little immediate liquidity for the Fund to meet large redemption requests, except for income-generating securities, if any, and cash or cash equivalents held by the Fund. The loan facilities could be used to fund redemptions and would be repaid as cash flow within the Fund permits or as new Units are issued; and
- (b) to smooth the timing difference between the closing of potential new private investments and cash availability in the Fund. The Fund's Portfolio is constructed over time and with various maturities and repayment schedules. However, there may be times when a new investment opportunity is available when the Fund does not have sufficient available cash to invest in such opportunity at the time. The loan facilities could enable the Fund to draw upon such facilities to invest in the new opportunity with a view to repaying the advance as cash flow within the Fund permits or as new Units are issued; and
- c) to maintain liquidity in accordance with its investment objective and investment strategies of the Fund;

The Manager expects the terms, conditions, interest rate, fees and expenses of the loan facilities will be typical for loans of this nature. In connection with any such loan advances, the Fund may grant security over the assets of the Fund to secure repayment of such loan advances. The Fund may enter into such loan facilities with one or more lenders that may include affiliates of R.C. Morris.

## **General**

The above-described investment strategies which may be pursued by the Fund are not intended to be exhaustive and other strategies and/or policies may also be employed. The actual strategies or policies 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 sole and absolute discretion, use strategies or policies other than those described above, or

discontinue the use of any strategy or policy without advance notice to the Fund. Changes to the investment strategies and operating policies of the Fund can be made without prior approval of the Unitholders. If at any time a government or regulatory authority having jurisdiction over the Fund or any property of the Fund enacts any law, regulation or requirement which is in conflict with any investment or operating policy of the Fund then in force, such policy will be deemed to have been amended to the extent necessary to resolve any such conflict.

## **R.C. MORRIS CAPITAL MANAGEMENT LTD.**

R.C. Morris will act as an administrator and originator for the Fund. R.C. Morris was incorporated under the laws of British Columbia. The principal business address is Suite 810, 570 Granville Street, Vancouver, BC V6C 3P1.

R.C. Morris will originate, structure, negotiate and administer the debt instruments. Such investments may be made directly by the Fund or indirectly through an investment in a R.C. Morris Partnership. R.C. Morris and its affiliates earn fees for services provided to portfolio companies, including for monitoring, restructuring and providing interim management. Subject to any other arrangements that may be made in respect of such fees collected from the portfolio companies.

The name, position with R.C. Morris and principal occupation of certain of the directors and officers of R.C. Morris are as follows:

Name	Position	Principal Occupation and Related Experience
Christopher Morris	President	See below
Conrad Krebs	Vice-President	See below
Bradley Meadows	Associate	See below
Colin Haddock	Associate	See below

**Christopher Morris.** Dr. Morris worked in investment banking at Credit Suisse First Boston in London (1999 – 2000), was Director of Corporate Ventures at both the Telegraph Group in London (2000 – 2002) and Torstar Corporation in Toronto (2002). He was CEO of Transit Television Network (owned by Torstar Corporation) in Orlando (2002 – 2005) and CFO of MetroBridge Networks in Vancouver (2005 – 2008), before founding R.C. Morris in Vancouver in 2009. R.C. Morris Capital Management Ltd. is a full-service firm focussed on restructurings, workouts, turnarounds, forensic accounting, mergers, acquisitions and disposals, and interim management services. Dr. Morris is a graduate of the University of Western Ontario and the University of Waterloo, and holds a PhD from Cambridge University.

**Conrad Krebs.** Mr. Krebs worked in accounting and credit management at the Edmonton Exchanger Group of Companies in Edmonton (2005 to 2007) and Metrobridge Networks in Vancouver (2007 to 2009). He joined R.C. Morris in Vancouver in 2009, specializing in financial reporting and controls at the firm’s restructuring, workout and turnaround clients. Mr. Krebs is a graduate of the University of Western Ontario, and as a previous member of the association of Certified Management Accountants of British Columbia is now a member of the association of Chartered Professional Accountants.

**Bradley Meadows.** Mr. Meadows worked at KPMG in Vancouver and Bangalore (2010 to 2014) spending three years in the Audit Practice where he specialized in Mining, Forestry and Energy industries, followed by 10 months in India, where he managed the KPMG Canada Offshoring Center and worked in the Risk Advisory Practice specializing in developing and optimizing corporate governance structures for clients in financial services. He joined R.C. Morris in

2014, specializing in financial and operational turn arounds of the firm’s restructuring and investee clients. Mr. Meadows is a graduate of Capilano University where he earned a Bachelor of Business Administration, with a specialization in Economics, and a Diploma in Accounting. As a previous member of the association of Chartered Accountants of British Columbia, he is now a member of the association of Chartered Professional Accountants.

**Colin Haddock.** Mr. Haddock spent three years working in public practice accounting (2010 – 2012), where he provided financial reporting, compliance, and corporate taxation services to predominantly private owner-managed businesses, publicly listed mining exploration and development companies, and early stage pre-IPO ventures. Mr. Haddock joined R.C. Morris Capital Management Ltd. in 2013, and is responsible for the financial reporting of the firm’s lending arm, as well as reporting and financial management for the firm’s turnaround and restructuring clients. Mr. Haddock holds a Bachelor of Arts degree in History from the University of Victoria, and as a previous member of the association of Certified General Accountants of British Columbia, he is now a member of the association of Chartered Professional Accountants.

## **RELATIONSHIP AGREEMENT**

Effective June 1, 2017, the Manager and R.C. Morris entered into a relationship agreement (“**Relationship Agreement**”). The material terms of the Relationship Agreement are that R.C. Morris will originate, structure, negotiate and administer debt investments for the Fund and certain other investment vehicles established and managed by the Manager from time to time. As compensation for its services, R.C. Morris is entitled to receive a portion of the fees charged and incentive allocations paid in respect of the investments made by the Fund and such other investment vehicles.

The Relationship Agreement may be amended from time to time and may be terminated by mutual agreement or by either party in certain circumstances.

## **THE MANAGER OF THE FUND– NEXT EDGE CAPITAL CORP.**

The Trustee has appointed the Manager to be responsible for the day-to-day undertaking of the Fund, including providing or arranging for the provision of investment management and certain administrative services required by the Fund. The Manager was incorporated on March 22, 2006 pursuant to the *Canada Business Corporations Act* and is registered with the Ontario Securities Commission as an investment fund manager, a portfolio manager and an exempt market dealer. The Manager is also registered an investment fund manager in Québec and Newfoundland and Labrador, and as an exempt market dealer with the other provincial securities regulatory authorities except Newfoundland and Labrador and Prince Edward Island. The principal office of the Manager is located 1 Toronto Street, Suite 200, Toronto, Ontario, Canada M5C 2V6.

The names, municipalities of residence, position with the Manager and principal occupation of the directors and officers of the Manager are as follows:

<u><b>Name and Municipality of Residence</b></u>	<u><b>Position with the Manager</b></u>	<u><b>Principal Occupation</b></u>
Robert Anton Oakville, Ontario	Managing Director, President and Director	Managing Director, President of the Manager
David Scobie Toronto, Ontario	Managing Director, Chief Operating Officer and Director	Managing Director, Chief Operating Officer of the Manager
Toreigh N. Stuart Gravenhurst, Ontario	Director	Director of the Manager
Nicholas Tata Toronto, Ontario	Chief Compliance Officer and Senior Vice-President Operations	Chief Compliance Officer and Senior Vice-President Operations of the Manager

The following is a brief description of the background of the directors of the Manager and employees of the Manager who are responsible for the management of the Fund:

**Robert Anton, Managing Director, President and Director**

Mr. Anton is a Managing Director and President of Next Edge Capital Corp. Mr. Anton is a director and founding partner at Next Edge Capital Corp.

Prior to the formation of Next Edge Capital Corp. via a management spin-out of the business, Mr. Anton was the Executive Vice President, Sales for Man Investments Canada Corp. (MICC), responsible for the distribution of the firm's hedge fund products through various channels and joint venture relationships in Canada. Mr. Anton was also responsible for a variety of sales management functions. Mr. Anton began employment with MICC in March of 2006 to aid in the set-up of the Canadian office. Mr. Anton was also active as a member of the Man Canada charity board in addition to sitting on outside charity committees.

Prior to joining MICC, he held the position of Executive Vice President, National Sales Manager of BluMont Capital Corp., a Toronto-based hedge fund company. Having joined the company in 2001 as a start-up operation, the company saw significant asset growth until his departure.

In 1993, Mr. Anton entered the financial business joining Richardson Greenshields and shortly thereafter became an Investment Advisor. He continued his Investment Advisor role at RBC Dominion Securities and Goepel McDermid Securities. In 1991 Mr. Anton earned his Bachelor of Arts degree from Wilfrid Laurier University in Waterloo. He also holds a Chartered Alternative Investment Analyst (CAIA) designation, has been an instructor for the Canadian Securities Institute and taught the Due Diligence on Hedge Funds course from 2007 to 2009.

**David Scobie, Managing Director, Chief Operating Officer and Director**

Mr. Scobie is a Managing Director and Chief Operating Officer for Next Edge Capital Corp. David is responsible for the day to day operations of the firm. David is a director and founding partner of Next Edge Capital Corp.

Prior to the formation of Next Edge Capital Corp. via a management spin-out of MICC, Mr. Scobie was a managing director and a director of MICC, and was responsible for the day to day operations of MICC. Mr. Scobie joined MICC in 2009.

Prior to joining MICC, Mr. Scobie held numerous positions from 2000 to 2009 in the sales, operations and client service departments of BluMont Capital Corp. culminating in his appointment as a managing director in 2005 and as the Chief Operating Officer and a director in 2007.

Prior to joining BluMont Capital Corp., Mr. Scobie spent five years with the Toronto-Dominion Bank Financial Group. Mr. Scobie has a B.A. and a B.Ed. from Acadia University.

**Toreigh N. Stuart, Director**

Mr. Stuart is a Director for Next Edge Capital Corp.

Prior to the formation of Next Edge Capital Corp. via a management spin-out of the business, Mr. Stuart was the Chief Executive Officer of Man Investments Canada Corp. (MICC), responsible for building the firm's distribution channels and joint venture relationships, as well as guiding the daily management and overall supervision of the Canadian sales operation since its inception in 2000.

In 1992, Mr. Stuart joined Richardson Greenshields of Canada as an Investment Manager. In 1997, Mr. Stuart joined TD Evergreen (now TD Waterhouse) in the role of Investment Manager and Supervising Portfolio Manager. Subsequently, Mr. Stuart held the position of President and Chief Executive Officer of BluMont Capital Corp., a

Toronto-based hedge fund company, which, under his leadership, saw significant growth from 2000 through 2006. During his time at BluMont Capital Corp., Mr. Stuart established the successful joint venture relationship with Man Investments.

Mr. Stuart earned his Bachelor of Arts degree in Economics from University of Toronto, and is a Chartered Financial Analyst and a Chartered Alternative Investment Analyst.

### **Nicholas Tata, Managing Director, Chief Compliance Officer and Senior Vice-President, Operations**

Nicholas Tata is the Chief Compliance Officer and Senior Vice President of Operations at Next Edge Capital Corp. Nicholas is responsible for the oversight of compliance, operations, product launches, internal controls, policies and procedures.

Nicholas was previously the Director of Operations & Compliance at Alignvest Capital Management Inc. and Alignvest Investment Management Corporation. Prior to that he held the position of Assistant Operations Manager at RBC Wealth Management where he assisted in the management of the Global Credit and Cash portfolio. He has also worked as a Financial Analyst on the Management Advice team at TD Wealth Management and as a Financial Analyst on the Mortgage Backed Securities/Covered Bond portfolio at CIBC Mortgages and Lending.

Nicholas graduated from York University with a Bachelor of Arts in Business Economics. He has also earned his Chartered Financial Analyst (CFA) and Certified Management Accountant (CPA) designations.

## **CORPORATE GOVERNANCE**

### **General**

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

### **Conflicts of Interest**

The services of the Manager and its affiliates are not exclusive to the Fund and nothing in the Management Agreement prevents the Manager or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies or criteria are similar to those of the Fund) or from engaging in other activities. The Manager therefore, will have conflicts of interest in allocating investment opportunities, management time, services and functions among the Fund 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 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 any other such persons it provides services to.

The Management Agreement acknowledges that the Manager may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from arm's length parties for comparable services.

Securities held by the Fund may also be held by other funds or clients for which the Manager or its affiliates provide investment advice. Because of different investment objectives or other factors, a particular security may be bought for one or more funds or clients when one or more other funds or clients are selling the same security. If opportunities for purchase or sale of securities by the Manager or the Fund or for other funds or clients for which the Manager renders investment advice arise for consideration at or about the same time, transactions in such securities are effected, insofar

as feasible, for the respective funds or clients on an equitable basis, in accordance with the Manager's trade allocation policy in effect from time to time.

The Manager has developed policies and procedures that govern its Employees' outside business activities and to which all Employees must adhere. Further, the Manager has implemented a notification and pre-approval process to restrict any outside business activity that would interfere or give the appearance of interfering with an Employee's ability to act in the best interests of, or perform work for, the Manager and its Clients.

Also, RBC Investor & Treasury Services Inc. or another service provider engaged to calculate the Net Asset Value of the Fund may consult from time to time with the Manager, and defer to the Manager who may in turn consult with R.C. Morris, when valuing a specific security to which the Fund's 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. 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 is held accountable under the Management Agreement if it fails to do so on an on-going basis.

R.C. Morris is entitled to receive compensation pursuant to the Relationship Agreement in respect of the Fund's investments. In addition, R.C. Morris and its affiliates may earn fees for services provided to portfolio companies, including for monitoring, restructuring and providing interim management. Subject to any other arrangements that may be made in respect of such fees collected from the portfolio companies. In exercising its powers and discharging its duties under the Relationship Agreement, R.C. Morris is required to exercise the degree of care, diligence and skill that a reasonably prudent person having experience with the type of business contemplated in the Relationship Agreement would exercise in comparable circumstances, and act honestly, in good faith and with a view to the best interests of the Fund. However, R.C. Morris, its directors and officers, and its affiliates, may at any time engage in other business activities, including promoting or managing other entities or their investments which may compete directly or indirectly with the Fund.

The Manager has been engaged to direct the business, operations and affairs of the Fund and is 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 Class A Units. The Fund and any related issuers that are managed by the Manager from time to time may be considered to be "connected issuers" and "related issuers" under applicable securities legislation.

### **Proceeds of Crime (Money Laundering) Legislation**

In order to comply with Canadian legislation aimed at the prevention of money laundering, the Manager may require additional information concerning investors. The Investment Application contains detailed guidance on whether identification verification materials will need to be provided with the Investment Application and, if so, a list of the documents and information required.

If, as a result of any information or other matter which comes to the Manager's attention, any director, officer or employee of the Manager, or its professional advisers, knows or suspects that an investor is engaged in money laundering, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

## **INVESTMENT RISK LEVEL AND ASSET CLASSIFICATION**

The Manager has identified the investment risk level of the Fund as an additional guide to help prospective investors decide whether the Fund is right for the investor. The Manager's determination of the risk rating for the Fund is guided by the methodology recommended by the Fund Risk Classification Task Force of The Investment Funds Institute of Canada (the "Task Force"). The Task Force concluded that the most comprehensive, easily understood form of risk measurement is the historical volatility of a fund as measured by the standard deviation of its performance. The use of standard deviation as a measurement tool allows for a reliable and consistent quantitative comparison of a fund's

relative volatility and related risk. Standard deviation is widely used to measure volatility of return. A fund's risk is measured using rolling one, three and five-year standard deviation and comparing these values against other funds and an industry standard framework. The standard deviation represents, generally, the level of volatility in returns that a fund has historically experienced over the set measurement periods. For new funds or funds which have a historical performance of less than three to five years, an appropriate benchmark index is used to estimate the expected volatility and therefore risk level of the fund.

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.

The Manager considers the asset classification to be deemed "High Yield Fixed Income" and, in accordance with the methodology described above, the Manager has rated the Fund as medium risk.

## **FUND FEES AND EXPENSES**

### **Fund Management Fee**

The Fund will pay the Manager a management fee (the "**Fund Management Fee**") which will also include any applicable federal and provincial taxes ("**HST**") and is calculated, accrued and paid monthly on the last Business Day of each month (a "**Valuation Date**") in respect of Class A Units at a rate equal to 1/12 of 2.50% (approximately 2.50% per annum) of the Net Asset Value of the Class and in respect of Class F Units at a rate equal to 1/12 of 1.50% (approximately 1.50% per annum) of the Net Asset Value of the Class.

Any additional Classes of Units offered by the Manager at a future date may be subject to a Fund Management Fee.

To the extent the Fund invests through R.C. Morris Partnerships, all or a portion of the Fund Management Fee and/or the R.C. Morris Management Fee in respect of such investments will be waived such that there will be no duplication of management fees. That is, the maximum aggregate management fees (being the combined Fund Management Fees and R.C. Morris Management Fees) will be 2.50% per annum for the Class A Units and 1.50% per annum for Class F Units. See "R.C. Morris Partnership Fees and Expenses – R.C. Morris Management Fee".

### **Fund Incentive Allocation**

The Manager is entitled to receive from the Fund an annual incentive allocation (the "**Fund Incentive Allocation**") equal to 20% of the Fund's returns above a return of 8% per annum (the "**Hurdle Rate**") (with a carry forward). To the extent invests through R.C. Morris Partnerships, all or a portion of the Fund Incentive Allocation and/or the R.C. Morris Incentive Allocation earned in respect of such investments will be waived such that there will be no duplication of incentive allocations. That is, the maximum aggregate incentive allocation in respect of such investments (being the combined Fund Incentive Allocation and R.C. Morris Incentive Allocation) will be 20% of the Fund's returns above the Hurdle Rate. See "R.C. Morris Partnership Fees and Expenses - Incentive Allocation".

### **Fund Operating Expenses**

The Fund is responsible for the payment to the Manager of all administrative fees and expenses relating to its operation, including but not limited to: (i) all regulatory filing fees, registrar and transfer agent fees and expenses, audit fees, accounting fees, administration fees including advertising, marketing, and promotional expenses, insurance premiums, fees associated with the Fund's bank accounts, operational expenses, record keeping and legal fees and expenses, custody, prime broker and safekeeping charges, Unitholder communication, mailing, printing and servicing costs (including proxy solicitation material, financial and other reports, as well as conducting and convening meetings of Unitholders), all costs and expenses associated with the qualification for sale of the Units in the Offering Jurisdictions, including filing fees, if any, all taxes, assessments or other governmental charges levied against the Fund, interest expense, if any, the cost of consulting and other professional fees relating to particular investments of the Fund, investment due diligence and monitoring expenses, data, statistical services, research, organizational costs, distribution costs, and all reasonable extraordinary or non-recurring expenses which are directly related to the maintenance and management of the Fund along with all reasonable extraordinary or non-recurring expenses; and (ii) fees and expenses relating to the portfolio investments of the Fund, including the cost of securities, interest on

borrowings and commitment fees and related expenses payable to lenders and counterparties, brokerage fees, commissions and expenses, banking fees and interest expenses. In addition, the Fund is responsible for the payment of all expenses associated with ongoing investor relations and education relating to the Fund.

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 including the costs of printing and preparing this Offering Memorandum, legal, audit, marketing, consulting, research and accounting expenses of the Fund, and other reasonable expenses incurred by the Manager of the Fund during the setup period. Such set up costs are charged to the Fund over a maximum period of five years after the launch of the Fund.

The Fund is generally required to pay HST on most administration expenses that it pays.

The Manager may cap the operating expenses of the Fund on an annual basis and may, on its own accord, pay for certain operating expenses of the Fund in order to maintain the operating expenses at a reasonable level.

Each Class of Units is responsible for the expenses specifically related to that Class and a proportionate share of expenses that are common to all Classes.

### **Rebate or Reduction in Fees**

For any individual Unitholder or Class of Units of the Fund, the Manager may reduce or rebate the Fund Management Fee, or Fund Incentive Allocation that it otherwise would be entitled to receive from the Fund with respect to a Unitholders' investment in the Fund.

## **R.C. MORRIS PARTNERSHIP FEES AND EXPENSES**

### **R.C. Morris Management Fee**

An affiliate of R.C. Morris will act as manager of each R.C. Morris Partnership. The manager of each R.C. Morris Partnership will generally be entitled to receive a quarterly management (the “**R.C. Morris Partnership Fee**”). However, to the extent the Fund invests through R.C. Morris Partnerships, all or a portion of the Fund Management Fee and/or the R.C. Morris Management Fee in respect of such investments will be waived such that there will be no duplication of management fees. That is, the maximum aggregate management fees in respect of such investments (being the combined Fund Management Fees and R.C. Morris Management Fees) will be 2.50% per annum for Class A Units and 1.50% per annum for Class F Units. See “Fund Fees and Expenses – Fund Management Fee”.

### **R.C. Morris Incentive Allocation**

An affiliate of R.C. Morris will act as general partner of each R.C. Morris Partnership. The general partner of each R.C. Morris Partnership will be entitled to receive certain incentive allocations based on the provisions of the limited partnership agreement governing the R.C. Morris Partnership that relates to the distribution of the net income of the R.C. Morris Partnership. Generally, the net income of a R.C. Morris Partnership will be allocated and distributed among the general partner and the limited partner investors as follows:

- (a) First, 100% to the limited partners up to an amount equal to an 8% annual return on their contributed capital calculated on a simple basis (the “Preferred Return”). The Preferred Return will be paid quarterly;
- (b) Second, 100% to the general partner up to an amount equal to 20% of the Preferred Return (the “Catch-Up”). The Catch-Up will be paid annually.
- (c) Third, 80% to the limited partners in proportion to their contributed capital and 20% to the general partner as a carried interest. These distributions will be made periodically at the discretion of the general partner.

However, to the extent the Fund invests through R.C. Morris Partnerships, all or a portion of the Fund Incentive

Allocation and/or the R.C. Morris Incentive Allocation earned in respect of such investments will be waived such that there will be no duplication of incentive allocations. That is, the maximum aggregate incentive allocation in respect of such investments (being the combined Fund Incentive Allocation and R.C. Morris Incentive Allocation) will be 20% of the Fund's returns above the Hurdle Rate. See "Fund Fees and Expenses – Fund Incentive Allocation".

## **R.C. Morris Partnership Operating Expenses**

To the extent the Fund invests through R.C. Morris Partnerships, Unitholders will indirectly bear the expenses of the R.C. Morris Partnerships.

Each R.C. Morris Partnership will be liable for, and will reimburse the manager and general partner of the R.C. Morris Partnership for all expenses related to the operation of the R.C. Morris Partnership and the carrying on of its business, including without limitation. These expenses generally include:

- a) all expenses incurred in connection with the investigation, evaluation, due diligence, negotiation, making, holding, monitoring or sale of an investment or divestment or proposed investment or divestment, whether or not consummated where the general partner of the R.C. Morris Partnership has executed a term sheet in respect of such investment or divestment (provided that all such expenses incurred prior to or in the absence of the execution of a term sheet shall be borne by the general partner of the R.C. Morris Partnerships including: (i) reasonable out-of-pocket expenses related to such matters; (ii) broken deal expenses; (iii) legal, consulting fees and accounting costs relating to an investment or divestment or proposed investment or divestment; (iv) travel, exploratory and other expenses related to investigating, evaluating or monitoring potential investment opportunities; (v) expenses attributable to compensation and benefits of the employees of the general partner of the R.C. Morris Partnership and its affiliates in relation to investigating, evaluating or monitoring potential investment opportunities; (vi) costs of services provided to the R.C. Morris Partnership by persons who are not employees of the general partner of the R.C. Morris Partnership in connection such matters; and (vii) the reasonable costs of finders, agents, appraisers, valuers, legal counsel, experts who are not employees of the R.C. Morris Partnership, where they are experts, and patent costs, advisors, or consulting expenses associated with a specific technical or market analysis of an investment or proposed investment which requires an independent outside consultant;
- b) expenses (excluding hotels, meals and airfare and other transportation costs of the limited partners and the advisory board members of the R.C. Morris Partnership) of meetings of the limited partners and the advisory board of the R.C. Morris Partnership;
- c) fees and expenses of the investment committee of the R.C. Morris Partnership;
- d) all litigation-related and indemnification-related costs and expenses related to the R.C. Morris Partnership, including amounts paid in settlement of legal claims or litigation and the expenses incurred by the general partner of the R.C. Morris Partnership in responding to legal investigations or processes;
- e) the applicable R.C. Morris Management Fees;
- f) insurance expenses with respect to the R.C. Morris Partnership or investments of the R.C. Morris Partnership and for the benefit of the R.C. Morris Partnership, including a reasonable allocation of the cost of directors' and officers' insurance covering employees of the general partner of the R.C. Morris Partnership when acting on behalf of the R.C. Morris Partnership, and third parties engaged for the benefit of the R.C. Morris Partnership;
- g) accounting, audit, review and tax preparation related costs and expenses and any taxes relating to the R.C. Morris Partnership's operations or investments;
- h) all costs and expenses associated with the calculation of the Net Asset Value of the R.C. Morris Partnership;

- i) all costs and expenses associated with the maintenance of the R.C. Morris Partnership's existence and its compliance with corporate, securities, tax and all other laws applicable to the R.C. Morris Partnership, its limited partners and its investments;
- j) filing fees with any government authorities;
- k) stamp and any other duties, taxes and other amounts payable in respect of the acquisition, holding, or realization of any securities, investment or property of the R.C. Morris Partnership and any sales, value added or similar taxes payable with respect to the R.C. Morris Management Fee;
- l) expenses relating to enforcing the payment of all or part of the total committed capital of all limited partners of the R.C. Morris Partnership;
- m) interest expense and fees relating to any borrowing by the R.C. Morris Partnership;
- n) other third-party charges which in the opinion of the general partner of the R.C. Morris Partnership, acting reasonably, are necessary for carrying out the business affairs of the R.C. Morris Partnership other than the fees and expenses of third party suppliers that are hired by the general partner of the R.C. Morris Partnership to provide services to the R.C. Morris Partnership that would otherwise be provided by the general partner of the R.C. Morris Partnership; and
- o) organizational expenses of the R.C. Morris Partnership.

### **Rebate or Reduction in Fees**

If permitted by the limited partnership agreement governing a R.C. Morris Partnership, the manager of the R.C. Morris Partnership may reduce the R.C. Morris Management Fee in relation to the investment of one or more limited partners of the R.C. Morris Partnership, and the general partner of the R.C. Morris Partnership may waive its entitlement to receive the R.C. Morris Incentive Allocation in relation to the investment of one or more limited partners of the R.C. Morris Partnership.

## **DEALER COMPENSATION**

### **Sales Commissions**

An upfront sales commission of up to 3.00% may be deducted from a purchase order for Class A Units and is paid by the investor to the registered dealer (a "**Registered Dealer**") through whom the investor purchases Units. The sales commission is negotiated between the investor and the Registered Dealer.

There is no sales commission payable in respect of a purchase of Class F Units of the Fund. Class F Units may only be purchased by investors who are enrolled in a dealer sponsored fee-for-service or "wrap" program and who are subject to an annual asset-based fee.

Sales commissions may be modified or discontinued by the Manager at any time.

### **Servicing Commissions**

In respect of Class A Units, the Manager will pay to the Registered Dealers a servicing commission, out of the Fund Management Fee, based on the aggregate market value of their clients' investment in those Units of the Fund, at an annualized rate of up to 1.00% of the aggregate value of Units held by clients of such Registered Dealers. Servicing commissions are accrued monthly and paid on a quarterly basis in arrears approximately 45 days after calendar quarter-end. A Registered Dealer is entitled to such fees in respect of Class A Units for so long as its clients hold those Units.

There is no standard servicing commission payable in respect of a purchase of Class F Units.

In respect of a purchase of Units of any Class, the Manager may agree to pay an additional sales commission or servicing commission, in an amount to be negotiated on a case-by-case basis, to the Registered Dealer and/or other

person legally eligible to accept any sales commission or servicing commission. Notwithstanding the foregoing, servicing commissions may be modified or discontinued by the Manager at any time.

## UNITS OF THE FUND

An investment in the Fund is represented by units (the “Units”). Investors will subscribe for Units that can be purchased on a monthly basis and redeemed on demand (or on any Valuation Date) as described below under “Purchases of Units” and “Redemption of Units”.

The Fund is permitted to have an unlimited number of Classes of Units having such terms and conditions as the Manager may determine. There are two Classes of Units offered under this Offering Memorandum - Class A and Class F Units. All of the Classes have the same investment objective, strategy and restrictions but differ in respect of one or more of their features, including, but not limited to, management fees, expenses, or commissions as further set out in this Offering Memorandum. The Class Net Asset Value per Unit of each Class will not be the same as a result of the different fees and expenses allocable to each Class of Units. Additional Classes may be offered at the Manager’s discretion.

Class A Units may carry a front-end load sales commission of up to 3.00%. Class F Units may be purchased by investors who are enrolled in a dealer sponsored fee-for-service or “wrap” program and who are subject to an annual asset-based fee.

Each Unit of a Class represents an undivided ownership interest in the assets of that Class of Units with all Units of the same Class having equal rights and privileges. Units are transferable on the register of the Fund only by a registered Unitholder or his/her legal representative, subject to compliance with applicable securities laws and subject to the Manager’s approval.

The Manager, in its discretion, determines the number of Classes of Units and establishes the attributes of each Class, including the designation of each Class, the initial offering price for the first issuance of Units of the Class, any minimum initial or subsequent investment thresholds, any minimum redemption amounts or minimum account balances, valuation frequency, fees and expenses of the Class, sales or redemption charges payable in respect of the Class, redemption rights and any additional Class specific attributes. The Manager may add additional Classes of Units at any time. The Manager may also, upon providing a Unitholder with 30 days prior written notice, re-designate Units of a Class issued to the Unitholder as Units of another Class having an aggregate equivalent Class Net Asset Value per Unit.

All Units of the same Class are entitled to participate *pro rata*: (i) in any payments or distributions made by the Fund to the Unitholders of the same Class; and (ii) upon liquidation of the Fund, in any distributions to Unitholders of the same Class of net assets of the Fund remaining after satisfaction of outstanding liabilities of such Class. All Units are fully paid and non-assessable when issued. There are no pre-emptive rights attaching to Units. Units are transferable on the register of the Fund only by a registered Unitholder or his or her legal representative, subject to compliance with securities laws and subject to the Manager’s approval. Fractional Units carry the same rights and are subject to the same conditions as whole Units in the proportion which they bear to a whole Unit. Outstanding Units of any Class may be subdivided or consolidated in the Manager’s discretion on 21 days prior written notice.

## PURCHASES OF UNITS

The offering is made to eligible investors resident in all the provinces and territories of Canada (the “**Offering Jurisdictions**”) pursuant to exemptions from prospectus requirements contained in the securities legislation of the Offering Jurisdictions or granted by securities regulatory authorities. See “Securities Law Exemptions” below.

The Manager reserves the right to accept or reject orders, to change the minimum amounts for investments in the Fund and to discontinue the offering of Units of the Fund at any time and from time to time.

### Minimum Investment

The Fund will accept subscriptions from investors purchasing Units as principal who meet the criteria to be considered an “accredited investor” under National Instrument 45-106 *Prospectus Exemptions* (the “**Accredited Investor Exemption**”). There is no regulatory minimum purchase amount requirement under the Accredited Investor Exemption; however, the Manager has established that the minimum initial purchase amount for “accredited

investors” is \$10,000. The criteria for qualification as an “accredited investor” are set out in Appendix 1 to the Investment Application.

At the discretion of the Manager, subscriptions for lesser amounts may be accepted for purchases of any Class which comply with available exemptions from prospectus requirements under applicable securities legislation. The Manager reserves the right to change the minimum amounts for investments in the Fund at any time and from time to time.

The Manager, in its discretion, may prescribe a minimum aggregate balance to be maintained by Unitholders of Units of a Class, and may require a Unitholder to redeem all of such person’s Units if the minimum balance is not maintained.

### **Additional Investments**

For Unitholders who purchased Units under the Accredited Investor Exemption, additional investments in the Fund are permitted subject to a \$10,000 minimum.

At the time of making each additional investment in the Fund, the Unitholder is deemed to have repeated to the Fund all representations contained in the Investment Application documents delivered by the investor to the Fund at the time of the initial purchase. As per the representations and warranties contained in the Investment Application, the investor has the duty to notify the Manager of any change.

The Manager reserves the right to change the minimum amount for additional investments in the Fund at any time, and from time to time.

### **Securities Law Exemptions**

Units of the Fund are only being offered to investors in the Offering Jurisdictions pursuant to exemptions from the requirements to prepare and deliver a prospectus under applicable securities legislation or granted by securities regulatory authorities. The Manager is responsible for completing any necessary securities regulatory filings for sales of Units.

### **Subscribing for Units**

Units are offered for sale continuously at their Class Net Asset Value per Unit as at the forthcoming Valuation Date. Fractional Units are issued up to three decimal places. All subscriptions are irrevocable.

Subscribers may purchase Units by delivering to their Registered Dealer a completed and executed Investment Application, along with payment for the Units so subscribed. Payment must be provided via an electronic order system such as FundSERV or by cheque or bank draft, or, in the discretion of the Manager, wire transferred funds, in an amount equal to the aggregate amount which the investor wishes to invest in Units. If the subscription order request is received by the Manager on or before the third Business Day immediately preceding a Valuation Date such subscriber will then be admitted at the Class Net Asset Value per Unit for that Valuation Date. If the subscription order request is received by the Manager after the third Business Day immediately preceding a Valuation Date such subscriber will then be admitted at the Class Net Asset Value per Unit for the following Valuation Date. In other words, the subscription book for the Valuation Date will reopen on the next Business Day after the third Business Day immediately preceding a Valuation Date. Investors may be required to complete or assist the Manager in completing all forms necessary to ensure compliance with applicable Canadian securities laws and anti-money laundering legislation.

All subscriptions for Units are made through the purchase of interim subscription units at a fixed net asset value per Unit of \$10. Following the calculation of the Net Asset Value of each Class of Units, the interim subscription Units are automatically switched into the appropriate number of Units of the applicable Class as per each Unitholder’s Investment Application received. The number of Units of the applicable Class are the net subscription proceeds divided by the Valuation Date Class Net Asset Value per Unit of that Class determined as at the Valuation Date on which the Investment Application was accepted. Consequently, the initial purchase confirmation will confirm purchase of the interim subscription units while a subsequent confirmation will confirm purchase of the final Units purchased by the Unitholder. The number of interim subscription units will be different from the final number of Units purchased.

The Manager may in its sole discretion accept or reject any subscriptions for Units in whole or in part, and will do so within three Business Days of the receipt of the subscription order. Settlement of Funds for the subscription shall be as set out in the Investment Application. The Fund shall, as of the first Business Day following the determination of

the Net Asset Value as at the Valuation Date following the acceptance of the subscription proceeds, issue Units based upon the Class Net Asset Value per Unit. Subscriptions for Units shall not be accepted during any period when the Fund is unable to calculate a Net Asset Value. In the event of a rejection of a subscription, the Manager shall forthwith return any subscription Funds without interest or deduction.

A book-based system of registration is maintained for the Fund and therefore Unit certificates will not be issued. The register for the Units of the Fund is kept at the office of the registrar and transfer agent. Within five Business Days, unless requested otherwise by the Registered Dealer with which the Units are registered, Unitholders will receive an initial purchase confirmation which will refer to the interim subscription units. Within five Business Days of the publication of the Class Net Asset Value per Unit for the Valuation Date in respect of which the Units were issued, the Manager will, unless requested otherwise by the investor's Registered Dealer, forward to the applicable Unitholder a confirmation indicating the number of Units purchased, the Class Net Asset Value per Unit at which Units were purchased and the opening and closing number of outstanding Units held by the Unitholder.

## **Currency Hedging**

Some investments in the underlying debt instruments may be denominated in US dollars or other foreign currencies. However, the Fund is denominated in Canadian dollars. The Manager will aim to partially hedge some of the Fund's exposure to US dollars and other foreign currencies. There is no guarantee that it will be possible to remove all currency exposure. Any distributions or redemptions from the Fund will be in Canadian dollars.

# **REDEMPTION OF UNITS**

## **How to Redeem Units**

### **Redemption at the Option of Unitholders**

An investment in Units is intended to be a long-term investment. However, Units are redeemable at any time and from time to time on demand by the Unitholders thereof. Any Unitholder who wishes to redeem his, her or its Units is required to deliver to the Fund at its head office a duly completed and properly executed notice, in a form reasonably acceptable to the Manager (the "**Notice**"), requesting redemption on the date that the Notice is received by the Manager (the "**Redemption Date**"). The Notice must specify the number of Units to be redeemed and must be accompanied by the certificates, if any, representing the Units to be redeemed.

On the Redemption Date, all rights to and under the Units tendered for redemption shall immediately cease, provided that the Unitholders thereof shall retain the right to receive distributions thereon which have been declared payable to Unitholders of record prior to the Redemption Date and the right to receive a price per Unit (the "**Redemption Price**") equal to 95% of the Class Net Asset Value of a Unit for the applicable Class calculated as of the first Valuation Date immediately preceding the Redemption Date.

The aggregate Redemption Price payable by the Fund in respect of any Units tendered for redemption shall be paid no later than 180 days following the Redemption Date, by cheque drawn on a Canadian chartered bank or trust company in lawful money of Canada payable to the Unitholder who exercised the right of redemption or by such other manner of payment permitted by the Manager.

Notwithstanding the above, where the total amount payable by the Trust in respect of the redemption of Units in any calendar quarter exceeds \$100,000, the Manager may, in its discretion, and subject to all necessary regulatory approvals, pay and satisfy all or a portion of the Redemption Price for each Unit tendered for redemption by way of a distribution *in specie* of the assets of the Fund or by the issuance of unsecured, interest-bearing promissory notes of the Fund, as determined by the Manager in its discretion. Any assets of the Fund which may be distributed *in specie* to Unitholders or any promissory note of the Fund issued to Unitholders in connection with a redemption of Units may be illiquid and are not expected to be qualified investments for Registered Plans. See "Eligibility for Investment".

In addition to the above, a Unitholder may instead request redemption on the Valuation Date that is at least 180 calendar days following the date that the Notice is received by the Manager (a "**Scenario 2 Redemption Date**"). In such case:

- a) the Unitholder will have the right to receive a Redemption Price equal to 100% of the Class Net Asset Value of a Unit for the applicable class calculated as of the Scenario 2 Redemption Date (or, at the written request of a Unitholder, but subject to the sole and absolute discretion of the Manager, as of a Valuation Date that falls between the time that Notice is received by the Manager and the Scenario 2 Redemption Date so long as such redemptions are made to all Unitholders on a pro-rata, fair and equitable basis);
- b) the Redemption Price shall be paid no later than the last day of the calendar month in which the Scenario 2 Redemption Date occurs; and
- c) if, in any rolling three-month period, the Manager has received Notices to redeem Units representing in the aggregate 10% or more of the outstanding Units (as at the beginning of the three-month period), the Manager may, in its discretion, choose to redeem such Units in equal Unit amounts over a period of up to 12 months beginning on the first Valuation Date which is at least 180 calendar days following receipt of such Notice. Each such redemption shall be effected on a Valuation Date. The Redemption Price payable to Unitholders will be adjusted by changes in the Net Asset Value of a Unit for the applicable Class during this period and calculated as of each Valuation Date in respect of the redemption to be effected on that date.

Payments made by cheque will be sent to the Unitholder at his, her or its last address as shown in the register of Unitholders or to such other address or account as the Unitholder may direct in writing. Any payment referred to above, unless such payment is not honoured, will discharge the Fund, the Manager and their delegates from all liability to the redeeming Unitholder in respect of the payment and the Units redeemed.

Units will be redeemed in accordance with the order in which Notices are received.

Redemptions within 12 months of initial purchase are subject to a redemption fee, at the sole discretion of the Manager, equal to 2% of the Net Asset Value of such Units redeemed calculated as of the applicable Valuation Date which is deducted from the redemption proceeds and retained by the Fund for the benefit of existing Unitholders.

The Manager may suspend or limit the redemption of Units during any period in which (i) valuation of the Fund's portfolio is unable to be calculated; (ii) there exists a state of affairs under which liquidation by the Fund of part or all of its investments is not reasonable or practicable or would be prejudicial to the Fund; or (iii) if not postponing or suspending such effective date would materially adversely affect the existing Unitholders. In no case, however, may any such period last longer than one year. The Redemption Price will be adjusted by changes in the applicable Class Net Asset Value per Unit during the period of suspension or limitation and calculated as at the Valuation Date on which the redemption is ultimately effected.

The suspension will terminate on the first day on which the condition giving rise to the suspension ceases to exist, provided that no other condition under which a suspension is authorized to be imposed then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of a suspension of redemptions made by the Manager is conclusive.

Subscriptions for Units (including Units of any affected Class) may be accepted during any period when the ability of the Fund to redeem Units is suspended.

### **Mandatory Redemptions**

Partial redemptions that reduce the aggregate Net Asset Value of a Unitholder's Units below the minimum balance of \$5,000 may result in the Manager requiring a mandatory redemption of all Units held by such Unitholder. The Manager may also require the mandatory redemption of Units under other circumstances. Any such mandatory redemption will be made at the applicable Redemption Price per Unit on the next Valuation Date following the issuance of a notice of the mandatory redemption to the affected Unitholder.

## VALUATION OF THE FUND

### Net Asset Value

The Net Asset Value of the Fund and of each Class of Units of the Fund is determined by the Valuation Agent retained by the Manager in accordance with the Manager's authority under the Management Agreement. A separate Class Net Asset Value is calculated for each Class of Units. The Net Asset Value of the Fund and the Class Net Asset Value for each Class of Units of the Fund, as at the relevant Valuation Date, is calculated by the Valuation Agent on or about the tenth Business Day following the last business day of each month. The last Business Day of each month will be the Valuation Date (or on any other date as determined by the Manager).

The Class Net Asset Value per Unit of any Class of Units of the Fund on a Valuation Date will be obtained by dividing (i) the then fair market value of the assets of the Fund less the aggregate amount of its accrued liabilities, in each case attributable to that Class of Units, by (ii) the total number of Units of the Class outstanding at the time the calculation is made on the Valuation Date. The result is adjusted to a maximum of four decimal places. The Net Asset Value of the Fund and of each Class are also calculated as of any such other day or days as determined from time to time by the Manager.

### Valuation Principles

The assets and liabilities in the Fund are 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. However, in determining the fair value of the assets of the Fund by Valuation Agent, subject to the Trust Agreement, will generally apply the following principles to the Fund:

- (a) the value of any cash on hand, deposit or call, prepaid expenses, cash dividends declared and interest accrued but not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such deposit or call loan is not worth the face amount thereof, in which event, the value thereof shall be deemed to be such value as the Manager determines to be the reasonable value thereof;
- (b) the value of any security or other asset for which a market quotation is not readily available shall be its fair market value as determined by the Manager;
- (c) short-term investments including notes, money market instruments and the type of short-term loans contemplated herein which the Manager, or third party engaged by the Manager, believes approximates fair value, provided there are no impairments shall be valued at cost plus accrued interest. 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 security securing the short-term loans, overall economic conditions, and other conditions specific to the underlying holding;
- (d) the value of any security or index options thereon which is listed on any recognized exchange shall be determined by the closing sale price at the Valuation Date or, if there is no closing sale price, the average between the closing bid and the closing asking price on the Valuation Date, as reported by any report in common use or authorized as official by a recognized stock exchange or any other period-end market quotation that is deemed appropriate, unless this average is greater than a 10% price variance from the last sale price in which case the last sale price will be used, provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
- (e) 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 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 and other conditions specific to the underlying holding;

- (f) the value of any bond or other debt security, other than a short-term security, shall be determined by using prices supplied by the Fund's pricing agents which reflect broker/dealer supplied valuations and electronic data processing techniques. If it is not possible to value a particular debt security pursuant to these valuation methods, then the value of such security shall be the most recent bid quotation supplied by a suitable dealer in such securities, as determined by the Manager, or third party engaged by the Manager;
- (g) 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;
- (h) the value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the futures contract, or the forward contract, as the case may be, were 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;
- (i) all Fund property valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency shall be converted into Canadian dollars by applying the rate of exchange obtained from the best available sources to the Manager;
- (j) all expenses or liabilities (including fees payable to the Manager) of the Fund shall be calculated on an accrual basis; and
- (k) the value of any security or property to which, in the opinion of the Manager, the above valuation principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in such manner as the Manager from time to time provides.

The liabilities of the Fund shall be deemed to include:

- a) all bills, notes and accounts payable;
- b) all expenses incurred or payable by the Fund;
- c) all contractual obligations for the payment of money or property, including the amount of any declared but unpaid distributions;
- d) 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;
- e) all allowances authorized or approved by the Manager for taxes or contingencies; and
- f) all other liabilities of the Fund or series of the Fund of whatsoever kind and nature, except liabilities represented by outstanding Units and the balance of any undistributed net income or capital gains.

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

## DISTRIBUTIONS

The Fund will make quarterly distributions to Unitholders. The amount of any such distributions is in the discretion of the Manager but for the calendar year beginning January 1, 2021, the Manager proposes that the Fund will change its distribution policy from a fixed rate of 8% per annum to a variable rate tied to the realized gains/yield each quarter on each class of Units of the Fund. In addition, at the end of each financial year of the Fund additional distributions of net income and net realized capital gains may be made to Unitholders to ensure that the Fund is not liable to pay any income tax.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Thorsteinssons LLP, Canadian tax counsel to the Fund, the following is a general summary of the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the “**Tax Act**”) generally applicable to an individual (other than a trust) who acquires Units as beneficial owner pursuant to this offering and who, for purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada, deals at arm’s length with and is not affiliated with the Fund, and holds the Units as capital property (a “**Unitholder**”).

The Units will generally be considered to be capital property to a Unitholder unless the Unitholder holds the Units in the course of carrying on a business of buying and selling securities, or acquires the Units in a transaction or transactions considered to be an adventure in the nature of trade. A Unitholder who might not otherwise be considered to hold his or her Units as capital property may, in certain circumstances, be entitled to make an irrevocable election permitted by subsection 39(4) of the Tax Act to have his or her Units and every other “Canadian security” (as defined in the Tax Act) owned by him or her in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Unitholders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available or advisable in their particular circumstances.

This summary assumes that the Unitholder will not enter into a “derivative forward agreement”, as that term is defined for purposes of the Tax Act, with respect to the Units.

This summary assumes that any R.C. Morris Partnership in which the Fund invests will be considered to be a partnership for purposes of the Tax Act and that the Fund’s interest in such partnership will be a capital property of the Fund for purposes of the Tax Act. This summary does not consider the tax considerations in connection with any investment that may be made by the Fund other than in a R.C. Morris Partnership.

This summary assumes that none of the investments made by the Fund will be a “tax shelter investment” as defined in the Tax Act, and that interests in the Fund that represent more than 50% of the fair market value of all interests therein are not held by “financial institutions” as defined for purposes of the “mark-to-market properties” rules in the Tax Act.

Further, this summary assumes that none of the investments made by the Fund will be an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or an interest in a non-resident trust other than an “exempt foreign trust” as defined in section 94 of the Tax Act (or a partnership which holds such an interest).

This summary further assumes that the Fund will at no time be subject to a “loss restriction event” within the meaning of the Tax Act.

The tax consequences may be materially and adversely different from those described below in the event that one or more of these assumptions is not accurate. However, no assurances can be provided in this regard.

This summary is based on the facts set out in this Offering Memorandum, representations made to counsel by the Manager of the Fund as to certain factual matters, the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”), and counsel’s understanding of the current published administrative policies and assessing

practices of the Canada Revenue Agency (the “CRA”). This summary also takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof but not withdrawn and assumes that they will be enacted substantially as proposed, although no assurances in this regard can be provided. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action (which may apply retroactively without notice and/or without “grandfathering” or other relief) and does not take into account provincial, territorial or foreign income tax legislation or considerations.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Unitholder. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax consequences relating to the deductibility of interest on money borrowed to acquire Units. Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Units having regard to their particular circumstances.

## **Tax Classification of the Fund**

This summary assumes that the Fund will qualify at all times as a “mutual fund trust” within the meaning of the Tax Act. In order to qualify as a “mutual fund trust”, (a) the Fund must be a Canadian resident “unit trust” for purposes of the Tax Act; (b) the only undertaking of the Fund must be (i) the investing of its funds in property (other than real property or interests in real property), (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interests in real property) that is capital property of the Fund, or (iii) any combination of the activities described in (i) and (ii); and (c) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units. An additional condition to qualify as a “mutual fund trust” for the purposes of the Tax Act is that the Fund may not be established or maintained primarily for the benefit of non-resident persons unless, at all times, substantially all of its property consists of property other than “taxable Canadian property” within the meaning of the Tax Act (if the definition of such term were read without reference to paragraph (b) of that definition). If the Fund does not qualify or ceases to qualify as a “mutual fund trust” under the Tax Act, the tax consequences would be materially and adversely different from those described below.

The Tax Act imposes tax on certain earnings of a specified investment flow-through trust (“SIFT trust”) at a rate comparable to the combined federal and provincial corporate tax rate for a public corporation. In order to qualify as a SIFT trust, among other things, “investments” (as that term is defined in the Tax Act) in the trust must be listed or traded on a stock exchange or other public market. Assuming the Units will not be listed or traded on a stock exchange and that there is no trading system or other organized facility on which the Units will be listed or traded, and further assuming that no other “investments” (as that term is defined in the Tax Act) in the Fund will be listed or traded on a stock exchange and that there is no trading system or other organized facility on which any such “investments” will be listed or traded, the Fund should not constitute a SIFT trust and thus should not be liable to tax under the SIFT trust rules. It is noted that the definition of “investments” in this regard is broad. If the SIFT trust rules were to apply to the Fund, the tax consequences would be materially and adversely different from those described below. See “Risk Factors - Canadian Income Tax Risks”.

## **Taxation of the Fund**

The Fund will be subject to tax in each taxation year on its income for the year, including any net realized taxable capital gains and income or taxable capital gains allocated to it by a R.C. Morris Partnership. The Fund will be required to compute its income (or loss) in accordance with the provisions of the Tax Act for each taxation year as though it were an individual resident in Canada.

To the extent that the Fund has any income for a taxation year, the provisions of the Tax Act permit the Fund to deduct all amounts which are paid or become payable by it to Unitholders in the year. An amount will be considered to become payable by the Fund to a Unitholder in a taxation year if the Unitholder is entitled in the year to enforce payment of the amount.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the “**capital gains refund**”). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year.

Counsel has been advised by the Manager of the Fund that the Fund intends to make sufficient distributions to Unitholders in each taxation year of the Fund that will allow the Fund to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund (described above). However, no assurances can be provided in this regard. The Trust Agreement for the Fund will contemplate that cash receipts of the Fund may be used to finance cash redemptions of Units and for certain other limited purposes; accordingly, the amount of cash available for distribution to Unitholders may be less than the income of the Fund. As such, the Fund may make some or all of the income paid or payable to Unitholders in a particular taxation year in the form of additional Trust Units (“**Reinvested Units**”) rather than by way of cash distributions.

Each R.C. Morris Partnership will be required to compute its income (or loss) in accordance with the provisions of the Tax Act for each of its fiscal periods as if it were a separate person resident in Canada and to allocate any income (or loss) and taxable capital gains (or allowable capital losses) of the partnership for a particular fiscal period to the Fund to the extent of the Fund’s share thereof. The profit (or loss) of the partnership for accounting purposes may differ from the income (or loss) for income tax purposes. For this reason, distributions to the Fund on account of its share of profits from the partnership may differ from income allocated to it for purposes of the Tax Act. The income and taxable capital gains of the partnership that is allocated to the Fund will be included in computing the Fund’s income and will increase the adjusted cost base of the Fund’s interest in the partnership.

For purposes of the Tax Act, each R.C. Morris Partnership is required to compute all amounts, including proceeds, cost of property and interest income, in Canadian dollars. As a result, the amount of income or expenses may be affected by changes in the value of the U.S. dollar or other foreign currency relative to the Canadian dollar. The Fund may realize gains or losses by virtue of fluctuations in the value of foreign currencies relative to Canadian dollars. To the extent the Fund derives income or gains from investments in countries other than Canada, the Fund may be liable to pay income or profits tax to such countries and the utilization of credits or deductions in respect of foreign tax so paid is subject to special rules and restrictions under the Tax Act. Each taxable Unitholder will generally be entitled to a tax credit for any foreign taxes paid by the Fund in respect of the Unitholder’s share of income from foreign sources.

Distributions made by a R.C. Morris Partnership to the Fund will not be included in computing the income of the Fund but will reduce the adjusted cost base of the Fund’s interest in the partnership. To the extent that the adjusted cost base of the Fund’s partnership interest would otherwise be less than zero at the end of a fiscal period of the partnership, the negative amount will be deemed to be a capital gain realized by the Fund from the disposition of the partnership interest and the adjusted cost base of the Fund’s interest in the partnership will be increased by the amount of such deemed capital gain, which generally will result in the adjusted cost base of the partnership interest being reset to nil.

The Tax Act contains “at-risk” rules which may, in certain circumstances, restrict the deduction of a partner’s share of the losses of a partnership to its “at-risk amount”. The Fund’s at-risk amount in respect of a R.C. Morris Partnership will generally be the adjusted cost base of its partnership interest immediately before the end of the partnership’s fiscal period, plus its share of any partnership income for the fiscal period, less any amount owing by the Fund to the partnership or to persons who do not deal at arm’s length with the partnership and any amount or benefit granted to reduce the impact, in whole or in part, of any loss the Fund may sustain by virtue of being a member of the partnership or of holding or disposing of its partnership interest.

In determining the income of the Fund, gains and losses realized on the disposition of all or part of its partnership interest in a R.C. Morris Partnership will constitute capital gains and losses of the Fund in the taxation year unless the Fund were considered to hold the interest in the course of carrying on a business of buying and selling securities, or acquired the interest in a transaction or transactions considered to be an adventure in the nature of trade, which is assumed not to be the case. A disposition of all or part of the partnership interest will generally give rise to a capital

gain (or a capital loss) for purposes of the Tax Act to the extent that the Fund's proceeds of disposition exceed (or are less than) the total of the Fund's adjusted cost base of the interest (or part thereof) and reasonable costs of disposition.

One-half of the amount of any capital gain (a "**taxable capital gain**") realized by the Fund in a taxation year, whether on a disposition of all or part of its interest in a R.C. Morris Partnership or otherwise will be included in computing the Fund's income for the year, and one-half of the amount of any capital loss (an "**allowable capital loss**") realized by the Fund in a taxation year may be deducted against any taxable capital gains realized by the Fund in the year. Any excess of allowable capital losses over taxable capital gains for a taxation year may be deducted against taxable capital gains realized by the Fund in any of the three preceding taxation years or in any subsequent taxation year to the extent and under the circumstances described in the Tax Act.

On a redemption of Units by a Unitholder, the Fund may satisfy the redemption price of the Units by distributing, in specie, property of the Fund to the redeeming Unitholder. The Fund will be considered to have disposed of its property for proceeds of disposition equal to the fair market value of such property. The Fund may realize a capital gain on the disposition of the Fund's property to a redeeming Unitholder to the extent that the proceeds of disposition of the Fund's property exceed the adjusted cost base of such property to the Fund. The Trust Agreement will provide that where Unitholders request to have their Units redeemed by the Fund in particular year, the taxable portion of any capital gain realized by the Fund (being one half thereof) in connection with such redemptions may be treated as income paid to, and designated as a taxable capital gain of, the redeeming Unitholders. Any amount so designated must be included in the income of the redeeming Unitholders and will be deductible by the Fund.

The Fund will generally be entitled to deduct the costs and expenses of this offering, which have been paid by the Fund and not reimbursed, at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days. The Fund will also generally be entitled to deduct current administrative and other expenses that are incurred to earn income, to the extent that those expenses are reasonable in the circumstances.

## **Taxation of Unitholders**

### **Fund Distributions**

In computing the income of a Unitholder for a taxation year, the Unitholder will generally be required to include, as income from property, the portion of the net income of the Fund, including net realized taxable capital gains, that is paid or payable to the Unitholder in the year, whether that amount is received in cash, in Reinvested Units or otherwise. Any loss of the Fund for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Unitholder.

Provided that appropriate designations are made by the Fund, such portion of its net taxable capital gains and foreign source income as is paid or payable to a Unitholder, and the amount of foreign taxes paid or deemed to be paid by the Fund, if any, will effectively retain their character and be treated as such in the hands of the Unitholders for purposes of the Tax Act.

The non-taxable portion of any net realized capital gains of the Fund (being one half thereof) that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in a year will generally be treated as a distribution or payment of capital and should not be included in the Unitholder's income for the year. An amount paid or payable to a Unitholder (other than as proceeds of disposition in respect of the redemption of Units) will reduce the adjusted cost base of the Units held by such Unitholder, except to the extent that the amount was included in the income of the Unitholder or was the Unitholder's share of the non-taxable portion of the net capital gains of the Fund (the taxable portion of which was designated by the Fund in respect of the Unitholder). To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to the negative amount and the adjusted cost base of such Unit to the Unitholder will be reset at nil.

The Class Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired by a Unitholder. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before

the Units were acquired, notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units. In such an instance, an investor who acquires Units at any time in the year but prior to a distribution being paid or made payable will have to pay tax on the entire distribution (to the extent it is a taxable distribution) notwithstanding that such amounts may have been reflected in the price paid by the Unitholder for the Units.

### **Disposition of Units**

On the disposition or deemed disposition of Units by a Unitholder, whether on a redemption or otherwise, the Unitholder will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, less any reasonable costs of disposition and excluding any amount payable by the Fund which must be included in the Unitholder's income, exceed (or are exceeded by) the Unitholder's adjusted cost base of the Units.

The adjusted cost base of a Unit acquired pursuant to this offering will include the subscription price of the Unit, subject to certain adjustments under the Tax Act. Reinvested Units issued to a Unitholder in lieu of a cash distribution of income will have a cost to the Unitholder equal to the amount of the Fund's income that is distributed by the issuance of such Units. For the purposes of determining the adjusted cost base of Units of a particular Class held by a Unitholder, when additional Units of that Class are acquired by the Unitholder (whether by way of purchase, receipt of Reinvested Units or otherwise), the adjusted cost base of the newly acquired Units of that Class will be averaged with the adjusted cost base of all Units of the same Class owned by the Unitholder as capital property immediately before that time. A new average adjusted cost base must be calculated in the same manner at the time of each subsequent purchase, receipt of Reinvested Units or other acquisition of Units of a particular Class by a Unitholder.

Where Units are redeemed and the redemption price for the Units is satisfied by way of a distribution in specie to the Unitholder of the Fund's property, the proceeds of disposition to the Unitholder will generally be equal to the fair market value of the property so distributed. The cost of the property distributed in specie by the Fund to a Unitholder upon the redemption of Units will generally be equal to the fair market value of that property at the time of the distribution.

In computing a Unitholder's income for tax purposes, any taxable capital gain (as well as the amount of any net taxable capital gains designated by the Fund in respect of the Unitholder) will be included in income. Subject to and in accordance with the provisions of the Tax Act, any allowable capital loss realized by a Unitholder on the disposition of Units may generally be deducted against taxable capital gains realized in the taxation year. Allowable capital losses in excess of taxable capital gains for a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year to the extent and under the circumstances permitted by the Tax Act.

### **Alternative Minimum Tax**

Taxable capital gains, resulting from either a disposition of Units by a Unitholder or the designation by the Fund of net taxable capital gains in respect of such Unitholder, may give rise to alternative minimum tax depending on the Unitholder's circumstances.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Thorsteinssons LLP, Canadian tax counsel to the Fund, based on representations of the Manager of the Fund as to certain factual matters and subject to the qualifications and assumptions set out under "Canadian Federal Income Tax Considerations" above, the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("RRSP"), registered retirement income funds ("RRIF"), deferred profit sharing plans, registered education savings plans ("RESP"), registered disability savings plans ("RDSP") and tax-free savings accounts ("TFSA"), each as defined in the Tax Act (collectively, "Registered Plans"). However, if the Fund does not qualify or ceases to qualify as a "mutual fund trust" under the Tax Act at any particular time, the Units will not be qualified investments under the Tax Act for Registered Plans.

Promissory notes issued by the Fund on a redemption of Units, or property of the Fund received as a result of a redemption *in specie* of Units, may not be qualified investments for Registered Plans, and this may give rise to adverse consequences to a Registered Plan or the holder of or the annuitant under that plan. Accordingly, Registered Plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

The Tax Act imposes a penalty tax in respect of “prohibited investments” (described below) held by RRSPs, RRIFs or TFSAs. Proposals released by the Minister of Finance in the Federal Budget on March 22, 2017 propose to extend the application of these provisions to RESPs and RDSPs, with effect from March 22, 2017. Notwithstanding that the Units may be qualified investments for a RRSP, RRIF, RESP, RDSP or TFSA, an annuitant under a RRSP, RRIF, the subscriber of a RESP, or a holder of a RDSP or TFSA, as the case may be (each a “**Controlling Individual**”), will be subject to a penalty tax if the Units held in the RRSP, RRIF, RESP, RDSP or TFSA are a “prohibited investment” as defined in the Tax Act for the RRSP, RRIF, RESP, RDSP or TFSA. The Units will generally not be a “prohibited investment” for trusts governed by a RRSP, RRIF, RESP, RDSP or TFSA if the Controlling Individual: (a) deals at arm’s length with the Fund for the purposes of the Tax Act; and (b) does not have a “significant interest”, as defined in the Tax Act, in the Fund. Generally, a Controlling Individual will have a significant interest in the Fund if the Controlling Individual, either alone or together with persons and partnerships with whom the Controlling Individual does not deal at arm’s length, holds Units that have a fair market value of 10% or more of the fair market value of all of the Units issued by the Fund. Also, a benefit that is income (including a capital gain) that is reasonably attributable to a “prohibited investment” in respect of a RRSP, RRIF, RESP, RDSP or TFSA will be subject to a tax on that “advantage” payable by the Controlling Individual. Prospective investors who intend to hold Units in a RRSP, RRIF, RESP, RDSP, or TFSA should consult their own tax advisors in regards to the application of these rules in their particular circumstances.

## REPORTING TO UNITHOLDERS

Unless otherwise requested by Unitholders or their Registered Dealers, each Unitholder will receive a semi-annual investor account statement showing the Units held and any transactions for the preceding period. Such statements will contain any amounts invested for the Unitholder during the preceding period, the number of Units purchased or redeemed on behalf of the Unitholder and the most recently determined Class Net Asset Value of the Units immediately preceding the date of the statement.

The Fund will prepare annual audited financial statement and interim financial reports for the Fund. The Fund will deliver to Unitholders financial statements of the Fund in accordance with the provisions of National Instrument 81-106 *Investment Funds* (“**NI 81-106**”). The Fund is relying on the exemption pursuant to section 2.11 of NI 81-106 in not filing its financial statements with the Ontario Securities Commission.

Pursuant to NI 81-106, Unitholders will be sent audited annual financial statements within 90 days of the Fund’s year-end and unaudited semi-annual financial statements within 60 days after June 30th in accordance with their instructions. Under NI 81-106, Unitholders are given the option to receive or not receive annual and interim financial statements and have the ability to change their selection at any time by contacting the Manager.

Unitholders will receive the applicable required tax form(s) within 60 days of the end of the tax year to which such forms relate.

The Manager will keep or will cause to be kept adequate books and records reflecting the activities of the Fund. A Unitholder or its duly authorized representative will have the right to examine the books and records of the Fund during normal business hours. Notwithstanding the foregoing, a Unitholder shall not have access to any information which, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

## MATERIAL AGREEMENTS

The following contracts can reasonably be regarded as material to purchasers of Units:

- the Trust Agreement described below under “The Trust”;

- the Management Agreement described below under “Management Agreement”
- the Administrative Agreement described below under “Administrative Agreement”
- the Custodian Agreement described below under “Custodian Agreement”
- the Relationship Agreement as described above under “Relationship Agreement”

## **TRUST AGREEMENT**

The Fund has been created and is governed pursuant to a trust agreement (the “**Trust Agreement**”), which sets out the investment objectives and investment restrictions of the Fund. Certain material provisions of the Trust Agreement are set out below.

### **The Trustee**

Next Edge Capital Corp. is the trustee of the Fund. The Trustee is responsible for certain aspects of the administration of the Fund as described in the Trust Agreement. Pursuant to the Trust Agreement, the Trustee may delegate its powers and duties to the Manager.

The Trust Agreement provides that the Trustee will not be liable in carrying out its duties under the Trust Agreement except in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the Fund or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee may resign as trustee of the Fund by giving notice in writing to Unitholders not less than 30 days prior to the date on which such resignation is to take effect. Such resignation shall take effect on the date specified in such notice. The Manager may appoint a successor trustee, including an affiliate of the Manager and upon such person agreeing to act as trustee of the Fund and assuming the duties and responsibilities of trustee under the Trust Agreement, the Trustee shall cease to be trustee of the Fund, and shall be relieved from its duties and responsibilities with respect to the Fund under the Trust Agreement, provided however that Unitholders must be given not less than 30 days’ written notice prior to the appointment of a successor trustee.

The Trustee may be compensated for its services as trustee of the Fund, and shall be paid such fees as may be established by the Manager from time to time.

### **Termination**

The Manager may, in its discretion, terminate the Fund by giving 30 days’ written notice to Unitholders and fixing the date of termination not earlier than 30 days following the mailing or other delivery of such notice.

The Fund shall be terminated immediately following the occurrence of a Termination Event (as hereinafter defined). On such termination, the Manager (or should the Manager fail to do so, the Unitholders of the Fund at a meeting duly called for such purpose) shall appoint a person or company, which may be an affiliate of the Manager, to distribute any and all securities, property and assets of the Fund, as applicable, in accordance with the provisions of the Trust Agreement, and may agree to indemnify and pay fees to such person or company, out of the Fund Property, as the Manager (or Unitholders, as the case may be) determines in its absolute discretion is reasonable or necessary in the circumstances. Pursuant to the Trust Agreement, each of the following events shall be a “**Termination Event**”:

- (a) the Manager is in material default of its obligations under the Trust Agreement or any management agreement entered into between the Manager and the Trustee, on behalf of the Fund, and such default continues for 120 days from the date that the Manager receives notice of such material default from a Unitholder;

- (b) the Manager, or any successor trustee or substitute investment fund manager, has been declared bankrupt or insolvent or has entered into liquidation or winding up, whether compulsory or voluntary (and not merely a voluntary liquidation for the purposes of amalgamation or reconstruction);
- (c) the Manager or Trustee makes a general assignment for the benefit of creditors or otherwise acknowledges its insolvency; or
- (d) the assets of the Manager or Trustee have become subject to seizure or confiscation by any public or governmental authority.

## **MANAGEMENT AGREEMENT**

Pursuant to the Management Agreement entered into between the Manager and the Fund (the “**Management Agreement**”), the Manager has authority to manage the undertaking and affairs of the Fund and has authority to bind the Fund. The Manager may delegate its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund to do so. The Manager is required to exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Fund and to exercise the care, diligence and skill of a reasonably prudent professional manager in comparable circumstances. Among its other powers, the Manager may establish the Fund’s operating expense budget and authorize the payment of operating expenses.

The Management Agreement provides that the Manager and certain affiliated parties have a right of indemnification from the Fund for legal fees, judgements and amounts paid in settlement incurred in carrying out their duties under the Management Agreements, except in certain circumstances, including where there has been gross negligence or wilful misconduct on the part of the Manager, or the Manager has failed to fulfill its standard of care as set out in the Management Agreements. In addition, the Management Agreements contain provisions limiting the liability of the Manager.

Pursuant to the Management Agreement, the Manager will provide portfolio management, administrative and other services to the Fund. The Manager will receive the Fund Management Fee from the Fund for the provision of such services and is entitled to reimbursement for certain expenses incurred on behalf of the Fund. The Manager has a right to engage third parties to help them fulfill their duties – and pay them some or all of such fees, accordingly. The Manager may also provide the Fund with office facilities, equipment and staff as required and the Fund will reimburse the Manager for the cost thereof.

The Manager has no obligation to the Fund other than to render services under the Management Agreement honestly and in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill a reasonably prudent person would exercise in comparable circumstances.

The Management Agreement provide that the Manager will not be liable in any way to the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Fund has agreed to indemnify the Manager for any losses as a result of the performance of its duties under the Management Agreement. However, the Manager will incur liability in cases of wilful misconduct, bad faith, negligence or disregard of its duties or standards of care, diligence and skill.

The Management Agreement, unless terminated as described below, will continue until the termination of the Fund. The Manager or the Fund, as the case may be, may terminate the Management Agreement if the other party (i) is in breach or default of the provisions of the Management Agreement and, if capable of being cured, such breach or default has not been cured within forty-five (45) days written notice of such breach or default, (ii) has been declared bankrupt or insolvent and has entered into liquidation or winding-up, whether compulsory or voluntary (and not merely a voluntary liquidation for the purposes of amalgamation or reorganization), or (iii) makes a general assignment for the benefit of creditors or otherwise acknowledges its insolvency.

In the event that the Management Agreement is terminated as provided above, the Trust shall determine, in its sole discretion, whether to appoint a successor manager to carry out the activities of the Manager or to carry out such

activities itself in which case the Trustee will be entitled to a fee no greater than that payable to the Manager under the Management Agreement.

The services of the Manager under the Management Agreement are not exclusive to the Fund and nothing in the Management Agreement will prevent the Manager, or any affiliate thereof, from providing similar services to other investment funds and other clients (whether their investment objectives and policies are similar to the Fund) or from engaging in other activities.

The Manager may, on no less than 90 days' notice to Unitholders, amend the Trust Agreement and exchange the Units into such units which are listed on a Canadian stock exchange so long as each Unitholder is able to redeem their units prior to such listing.

Pursuant to the Management Agreement, the Manager may resign or reassign the Management Agreement upon 30 days written notice to the Unitholders. The Trustee must appoint a successor. If no successor Manager is appointed the Fund shall be terminated. The Manager is deemed to resign if the Manager: (i) becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Manager or a substantial portion of its assets, (ii) ceases to be resident in Canada for the purposes of the Tax Act; or (iii) no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations hereunder and is unable to obtain them within a reasonable period after their loss.

Units are distributed in the Offering Jurisdictions through registered dealers, including the Manager, and such other persons as may be permitted by applicable law. In the event of such distribution, registered dealers and the Manager will be entitled to the compensation described under "Fees and Expenses - Service Commission". Subject to the requirements under NI 31-103, the Manager may pay, out of the Fund Management Fees it receives from the Fund, a negotiated referral fee to registered dealers or other persons in connection with the sale of Units.

## **ADMINISTRATION AGREEMENT**

The Manager has retained RBC Investor Services Trust, from its principal offices in Toronto, Ontario, to carry out certain administrative services for the Fund. 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 RBC Investor Services Trust of any document pertaining to the purchase, redemption or switching of Units will be considered to be the receipt by the Fund. The Unit transfer register of the Fund are kept by the registrar at 155 Wellington St. W. 10th Floor, Toronto, Ontario, Canada M5V 3L3.

## **CUSTODIAN AGREEMENT**

The Fund has entered into an agreement for custodial services with RBC Investor Services Trust located in Toronto, Ontario, dated May 7, 2016 (the "**Custodian Agreement**") as may be amended from time to time. As custodian, RBC Investor Services Trust may hold cash and securities of the Fund. The Custodian Agreement may be terminated upon at least 90 days prior written notice by the Manager or RBC Investor Services Trust.

## **PROMOTER**

Having taken the initiative in the establishment of the Fund, the Manager is the promoter of the Fund.

## **AUDITORS**

The auditors of the Fund are Ernst & Young, LLP located at 222 Bay Street, Toronto, Ontario, Canada M5K 1J7

## **FISCAL YEAR END**

The fiscal year-end of the Fund is December 31.

## LEGAL MATTERS

Wildeboer Dellelce LLP located at Suite 800 –, 365 Bay Street, Toronto, Ontario, Canada M5H 2V1 and Thorsteinssons LLP, P.O. Box 786, Bay Wellington Tower, 181 Bay Street, 33rd Floor, Toronto, Ontario Canada M5J 2T3, are securities and tax counsel, respectively, to the Fund and will deliver opinions on certain matters pertaining to the Fund and the offering of its Units.

## RISK FACTORS

There are risks associated with an investment in the Fund, as a result of, among other considerations, the nature and operations of the Fund. An investment in Units should only be made after consultation with independent qualified sources of investment and tax advice. An investment in the Fund is not intended as a complete investment program. There is a risk that an investment in the Fund will be lost entirely or in part. Only investors who do not require immediate liquidity of their investment and who can reasonably afford a substantial impairment or loss of their entire investment should consider the purchase of Units. The following does not purport to be a complete summary of all the risks associated with an investment in the Fund.

### Risks Associated with an Investment in the Fund

#### No Guaranteed Return

There is no guarantee that an investment in Units will earn any positive return. The value of the Units may increase or decrease depending on market, economic, political, regulatory and other conditions affecting the Fund's portfolio. Investment in Units is more volatile and risky than some other forms of investments. All prospective Unitholders should consider an investment in the Fund within the overall context of their investment policies. Investment policy considerations include, but are not limited to, setting objectives, defining risk/return constraints and considering time horizons.

#### Limited Operating History

Although all persons involved in the management and administration of the Fund, including the service providers to the Fund, have significant experience in their respective fields of specialization, the Fund has a limited operating or performance history upon which prospective investors can evaluate the Fund's likely performance. Notwithstanding the foregoing, prospective investors may wish to consider the Fund's operating and performance history.

#### Class Risk

Each Class 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 Class of Units using that Class' proportionate share of the Fund's assets, the Fund will be required to pay those expenses out of the other Classes' proportionate share of the Fund's assets. This could effectively lower the investment returns of the other Class or Classes of Units even though the value of the investments of the Fund might have increased.

#### No Advice to Investors

The Manager, and advisors, bank, legal counsel, accountants and other service providers who provide advice and other services to the Fund are accountable to the Fund only and not to the Unitholders themselves. Each prospective investor should consult his own legal, tax and financial advisers regarding the desirability of an investment in the Fund.

#### Illiquidity of Units or Limited Liquidity

There is no formal market for the Units and one is not expected to develop. This offering of Units is not qualified by way of prospectus and, consequently, the resale of Units is subject to restrictions under applicable securities legislation. In addition, Unit transfers are subject to approval by the Manager. Accordingly, it is possible that

Unitholders may not be able to resell their Units other than by way of a redemption of their Units on a Valuation Date, which redemption will be subject to the limitations described under “Redemption of Units”.

### **Potential Conflicts of Interest**

The Manager is required to satisfy a standard of care in exercising their duties with respect to the Fund. However, neither the Manager or its officers, directors, or employees are required to devote all or any specified portion of their time to their responsibilities relating to the Fund. Each of the Manager or the other members or affiliates thereof and their respective officers, employees and affiliates may undertake financial, investment or professional activities which give rise to conflicts of interest with the Fund. Nothing in the Management Agreement prevents the Manager or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies or criteria are similar to those of the Fund) or from engaging in other activities.

Certain conflicts of interest may arise due to the various items mentioned under “Corporate Governance – Conflicts of Interest”. Certain inherent conflicts of interest arise from the fact that the Manager and its affiliates may carry on investment activities for other clients (including investment funds sponsored by the Manager or its affiliates) or on a proprietary basis in which the Fund will have no interest. Future investment activities by the Manager including the establishment of other investment funds, may give rise to additional conflicts of interest.

The Manager and its affiliates may also engage in the promotion, management or investment management or other services in relation to separate competitive investment products, managed accounts or any other fund. These competitive vehicles may have investment policies similar to those of the Fund and the Manager or its affiliates may be compensated in a different manner in respect of those vehicles. The Manager or its affiliates will follow procedures designed to ensure an appropriate allocation of available investment opportunities among the Fund and competitive vehicles.

### **Reliance on the Manager and R.C. Morris**

The Fund will be highly dependent upon the expertise and abilities of the Manager and R.C. Morris. The loss of the services of key personnel of the Manager or R.C. Morris could adversely affect the Fund. Unitholders will have no right to take part in the management of the Fund.

### **Capital Depletion Risk**

Certain classes of Units are designed to provide cash flow to investors. Where this cash flow exceeds the Net Income and net realized capital gains attributable to that class of Units, it will include a return of capital. A return of capital means a portion of the cash flow given back to a Unitholder is generally money that was invested in a Fund as opposed to the returns generated by such investment. Such distributions should not be confused with “yield” or “income”. Returns of capital that are not reinvested will reduce the total net asset value of the particular class of Units. Additionally, returns of capital will reduce the total assets of the Fund available for investment, which may reduce the ability of the Fund to generate future income. No conclusions should be drawn about the Fund’s performance from the amount of such distributions.

### **Fees and Expenses of the Fund**

The Fund is obligated to pay Fund Management Fees and other administration and operating expenses regardless of whether the Fund realizes a profit. Under certain circumstances, the Fund may be subject to significant indemnification obligations in respect of the Manager or certain affiliated parties.

### **Risks Arising from Multiple Classes of Units**

The Fund Management Fees determined with respect to a particular Class of Units are charged against the Net Asset Value of that Class. However, all other expenses of the Fund generally will be allocated among the various Classes of Units, and a creditor of the Fund may seek to satisfy its claims from the assets of the Fund as a whole, even though its claims relate only to a particular Class of Units.

## **Changes in Applicable Law**

Legal, tax and regulatory changes may occur that can adversely affect the Fund and its Unitholders.

### **Tax Consequences Generally**

There can be no assurance that any potential Canadian tax consequence described in this Offering Memorandum will necessarily apply. Further, it is the responsibility of any person interested in purchasing Units to inform himself/herself as to any tax consequences from such investment which are relevant to his/her particular circumstances. An investor should therefore seek his/her own separate tax advice in relation to the acquisition, holding and disposition of Units. None of the Manager, the Fund, a R.C. Morris Partnership or any of their counsel or other advisors, are responsible for any Canadian tax liability (or any related penalties, interest or other additions to tax) applicable to an investor in the Fund or for the effect of Canadian taxes (or any related penalties, interest or other additions to tax) on the investment returns of the Fund.

### **Changes to Canadian Tax Laws**

There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA will not be changed, whether by judicial, governmental or legislative decision or action, possibly on a retroactive basis and/or without “grandfathering” or other relief, in a manner that adversely affects the Fund and/or the Unitholders.

### **Challenges by the CRA**

There may be disagreements with the CRA in connection with certain positions taken by the Fund with respect to its classification or status for income tax purposes, the nature of the income earned by the Fund, the deductions, determinations or computations made by the Fund or other filing positions. A successful challenge of any such position taken by the Fund may adversely affect the Fund and/or the Unitholders.

### **“SIFT Trust”**

The Tax Act imposes tax on certain earnings of a specified investment flow-through trust (“**SIFT trust**”) at a rate comparable to the combined federal and provincial corporate tax rate for a public corporation. In order to qualify as a SIFT trust, among other things, “investments” (as that term is defined in the Tax Act) in the trust must be listed or traded on a stock exchange or other public market. In certain circumstances, because of the broad definition of “investments” in the Tax Act, the Fund could become a SIFT trust even if the Units are not listed or traded on a stock exchange and there is no trading system or other organized facility on which the Units are listed or traded. For example, if an entity that is affiliated with the Fund for purposes of the Tax Act confers a right to receive an amount that can reasonably be regarded as all or part of the capital, of the revenue or of the income of the Fund, and that right is listed or traded on a stock exchange or other public market, the Fund could become a SIFT trust.

If the SIFT trust rules were to apply to the Fund, the tax consequences would be materially and adversely different from those described below. See also “Canadian Federal Income Tax Considerations”.

### **“Loss Restriction Event”**

The Tax Act contains new “loss restriction event” (“**LRE**”) rules that apply to a trust where, in general terms, a beneficiary of a trust (together with its affiliates) becomes a “majority-interest beneficiary” of the trust (i.e., holds more than 50% of the fair market value of the units of the trust) or a group of beneficiaries of the trust becomes a “majority-interest group of beneficiaries” of the trust. If a trust is subject to a LRE, the taxation year of the trust is deemed to end. In addition, if subject to a LRE, the trust is subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. The Manager of the Fund has advised that under the terms of the Trust Agreement for the Fund, there will be an automatic distribution of an amount equal to the income and net capital gains of the trust to the beneficiaries of the trust in the event of a deemed taxation year-end. As such, there may be an

unexpected allocation of net income or net taxable capital gains that must be included in a Unitholder's income for income tax purposes and that inclusion may be larger than it otherwise would have been due to the inability on the part of the Fund to deduct losses. There can be no assurance that the Fund will not be subject to a LRE. See also "Canadian Federal Income Tax Considerations".

### **Achievement of the Investment Objective**

There can be no assurance that the Fund will be able to achieve its investment objective. The investment strategies applied in the Fund may not have previously been used by a fund similar to the Fund. There is no assurance that the information set out herein, including any discussion of the Fund's investment objective will be, in any respect, indicative of how it will perform (either in terms of profitability or low correlation with other investments) in the future. Past performance is not indicative of future results.

### **Changes in Investment Strategies**

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

### **Illiquid Positions**

The Fund may make investments in markets that are volatile and which may become illiquid. Accordingly, it may be impossible (in the event of trading halts or daily price fluctuation limits on the markets traded or otherwise) or expensive to liquidate the positions against which the market is moving. Alternatively, it may not be possible, in certain circumstances, for a position to be initiated or liquidated promptly. The ability of the Fund to respond to movements may be impaired. These risks may be accentuated where the Fund is required to liquidate positions to meet margin requests, margin calls, redemption requests or other funding requirements.

### **Not a Public Mutual Fund**

The Fund is not subject to the restrictions placed on public mutual funds by NI 81-102. Furthermore, subscribers will not have the benefit of a review of this Offering and this Offering Memorandum by any securities regulatory authority or regulatory body.

### **Distributions**

The Fund is not required to distribute its profits. If the Fund has taxable income for Canadian federal income tax purposes for a fiscal year, such income will be distributed to Unitholders in accordance with the provisions of the Trust Agreement as described under "Distributions" and will be required to be included in computing the Unitholder's income for tax purposes, irrespective of the fact that cash may not have been distributed to such Unitholders. Since Units may be acquired on a monthly basis and redeemed on demand and distributions of income and losses of the Fund to Unitholders are anticipated to be made on a quarterly basis, such distributions to a particular Unitholder may not correspond to the economic gains and losses which such Unitholder may experience.

### **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 and when the Fund becomes a Limited Partner in a R.C. Morris Partnership, the general partner of the R.C. Morris Partnerships has unlimited liability for the debts, liabilities, obligations and losses of the

Fund to the extent that they exceed the assets of the Fund. Subject to certain limitations set forth in the Partnership Act, the liability of each Limited Partner for the debts, liabilities, obligations and losses of the Fund is limited to the value of money or other property the Limited Partner has contributed or agreed to contribute to the Fund. 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 Fund, the Limited Partner is nevertheless liable to the Fund, or where the Fund is dissolved, to its creditors, for any amounts not in excess of the amount returned with interest, necessary to discharge the liabilities of the Fund 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 Fund.**

### **Possible Negative Impact of Regulation**

The regulatory environment is evolving and changes to it may adversely affect the Fund. 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 Fund. The effect of any future regulatory or tax change on the portfolio of the Fund is impossible to predict.

### **Potential Indemnification Obligations**

Under certain circumstances, the Fund might be subject to significant indemnification obligations in favour of the Manager, other service providers to the Fund or certain persons related to them in accordance with the respective agreement between the Fund, the Manager and each such service provider. The Fund 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 has agreed to indemnify them. Any indemnification paid by the Fund would reduce the Fund's Net Asset Value.

### **Reliance on Manager and Track Record**

The success of the Fund will be primarily dependent upon the skill, judgment and expertise of the Manager and its principals. Although persons involved in the management of the Fund and the service providers to the Fund have had experience in their respective fields of specialization, the Fund has no 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, the business of the Fund may be adversely affected.

### **Currency Risk**

Exchange rate fluctuations could cause the value of the Fund to diminish or increase. Where possible, the Fund will attempt to mitigate foreign exchange risks, however, no assurance can be given that such efforts will be successful.

Investments of the Fund that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Fund may, but is not obligated to, hedge these risks by investing directly in foreign currencies, buying and selling forward foreign currency exchange contracts and buying and selling options on foreign currencies, but there can be no assurance such strategies will be effective.

### **Initial Investment in the Fund**

Pending investment of the net subscription proceeds from the sale of Units in accordance with the Fund's Investment Objective and Investment Strategies, the net subscription proceeds from the sale of Units will be held in an interest-bearing account. The Manager will deposit the proceeds of subscriptions for Units received in an interest-bearing account with a Canadian chartered bank for the benefit of the Fund. Investors will have no right to receive a cash

payment of any interest earned on the deposit of subscription proceeds. Any interest earned on the deposit of the subscription proceeds will be added to the Fund's Net Asset Value.

### **Legal**

Applicable laws, regulations or taxation arrangements may change at any time and adversely affect the Fund. Furthermore, the interpretation of such laws, regulations or taxation arrangements may differ from jurisdiction to jurisdiction and/or be construed differently by a court of law from the legal advice obtained by the Manager.

### **Tax Liability**

Investors in the Fund may be allocated income for tax purposes and not receive any cash distributions from the Fund. The 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. Therefore, the change in Net Asset Value of the Units may differ from the Unitholder's 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's Investments**

Valuation of the Fund'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's securities and other investments. Valuation determinations will be made in good faith in accordance with the Trust Agreement.

The Fund 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 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 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. 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 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 does not intend to adjust the Net Asset Value of the Fund retroactively.

### **U.S. Tax Risk**

Pursuant to United States tax rules, Unitholders may be required to provide identity and residency information to the Fund, which may be provided by the Fund to United States tax authorities in order to avoid a United States withholding tax being imposed on United States and certain non-United States source income and proceeds of disposition received by the Fund or on certain amounts (including distributions) paid by the Fund to certain Unitholders. By investing in the Fund and, through a registered dealer, by providing identity and residency information, Unitholders are deemed to have consented to the Fund disclosing such information to United States tax authorities.

## Risks Associated with the Underlying Investments and Strategies

### Availability of Investments

As the primary source of the Fund's investments is R.C. Morris, the Fund, is exposed to adverse developments in the business and affairs of R.C. Morris, to its management and financial strength, to its ability to operate its businesses profitably and to its ability to retain deal flow. The ability of the Fund 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 loans currently negotiated and administered by R.C. Morris will be representative of yields to be obtained on future investments of the Fund. In rendering its services, R.C. Morris shall exercise the degree of care, diligence and skill that a reasonably prudent person having experience with in the type of business contemplated by the Relationship Agreement would exercise in comparable circumstances, and act honestly, in good faith and with a view to the best interests of the Fund. However, the services of the R.C. Morris, the directors and officers of R.C. Morris are not exclusive to the Fund. R.C. Morris, its directors and officers, and their affiliates may, at any time, engage in promoting or managing other entities or investments including those that may compete directly or indirectly with the Fund. R.C. Morris may have sole discretion in determining which investments it will make available to the Fund for investment.

### Counterparty and Settlement Risk

Some of the markets in which the Fund will affect 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 Fund 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 Fund to suffer a loss. In addition, in the case of a default, the Fund 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 Fund has concentrated its transactions with a single or small group of counterparties. The Fund 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 Fund 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 Fund.

### Credit Risk

Credit risk can have a negative impact on the value of a debt security. 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.

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

The Fund does not control the custodianship of all of its securities. A portion of the Fund's assets will be held in one or more accounts maintained for the Fund by its custodian, Credit Manager, 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 Fund'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, or the Credit Managers it is impossible to generalize about the effect of their insolvency on the Fund 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 Fund's assets held by or through such prime broker and/or the delay in the payment of redemption proceeds.

### **Debt Securities**

The Fund 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 Fund 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 Fund may suffer a loss at the time of sale of such securities.

### **Diversification and Concentration Risk**

The ability of the Fund to diversify its investments will depend on the ultimate size of the Fund 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 Fund's ability to meet its investment objective. Furthermore, the Manager may take more concentrated investment holdings in specialized industries, market sectors or in a limited number of companies. Investment in the Fund involves greater risk and volatility since the performance of one particular sector, market or company could significantly and adversely affect the overall performance of the Fund. Investors should assume that the insolvency of any of these companies would result in the loss of all or a substantial portion of the Fund's assets held by or through such companies and/or the delay in the payment of redemption proceeds.

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

### **Valuation of the Fund's Investments**

Valuation of the Fund's portfolio 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 and the Net Asset Value per unit for the units of the Fund could be adversely affected. Independent pricing information may not at times be available regarding certain of the Fund's portfolio securities and other investments. Valuation determinations will be made in good faith in accordance with the Trust Agreement.

The Fund may 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 designated by the Fund to any such investment differs from its actual value, the Net Asset Value per unit of the Fund may be understated or overstated, as the case may be.

In light of the foregoing, there is a risk that a Unitholder of the Fund who redeems all or part of his or her units while the Fund holds such investments will be paid an amount less than such Limited Partner would otherwise be paid if the actual value of such investments is higher than the value designated by the Fund. Similarly, there is a risk that such Unitholder of the Fund might, in effect, be overpaid if the actual value of such investments is lower than the value designated by the Fund. In addition, there is risk that an investment in the Fund by a new Unitholder of the Fund (or an additional investment by an existing Unitholder of the Fund) could dilute the value of such investments for the other Unitholders of the Fund if the actual value of such investments is higher than the value designated by the Fund. Furthermore, there is a risk that a new Unitholder of the Fund (or an existing Unitholder of the Fund that makes an additional investment) could pay more to purchase units of the Fund than he or she might otherwise be required to pay if the actual value of such investments is lower than the value designated by the Fund. The Fund does not intend to adjust the Net Asset Value per unit of the Fund retroactively.

### **General Litigation Risk**

In the normal course of the Fund operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relation to contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Fund and as a result, could have a material adverse effect of the Fund's investments, liabilities, business, financial condition and results of operations. Even if the Fund prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Fund's business operations, which could have a material adverse effect on the Fund. This risk may be heightened for the Fund as compared to other Canadian investment funds without investments in the U.S. because the legal climate in the U.S., in comparison to that in Canada, tends to give rise to a greater number of claims and larger damages awards.

### **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 Fund is affected by changes in the prices of the securities and loans 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.

### **Failure to Meet Commitments**

The Fund may commit to making future investments, commercial loans or investments in underlying vehicles in anticipation of repayment of principal outstanding under existing investments. In the event that such repayments of principal are not made in contravention of the borrowers' obligations, the Fund 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 a company, via a commercial loan or other debt security, the Fund may be called upon to provide additional funding or have the opportunity to increase its investment in such company or to fund additional investments through such company. There is no assurance that the Fund will make follow-on investments or that the Fund will have sufficient funding to make all such investments. Any decision by the Fund not to make follow-on investments or its inability to make them may have a substantial negative impact on the company in need of such investment.

### **Foreign Investment Risk**

The Fund 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:

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

Please also see “**U.S. Tax Risk**” above.

### **General Economic and Market Conditions**

The success of the Fund’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 Fund’s investments. Unexpected volatility or illiquidity could impair the Fund’s profitability or result in losses.

### **Highly Volatile Markets**

The prices of financial instruments in which the Fund’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.

### **Interest Rate Changes**

The value of the Fund’s investments may fall if market interest rates for government, corporate or high yield credit rise. The value of the Fund 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 portfolio may be subject. No guarantee or representation is made that the Fund’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 Fund’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 R.C. Morris**

The Fund will be dependent on the knowledge and expertise of R.C. Morris. There is no certainty that the persons who are currently officers and directors of R.C. Morris will continue to be officers and directors of R.C. Morris for an indefinite period of time.

### **Leverage**

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

The interest expense and banking fees occurring in respect of the loan facility may exceed the capital gains and income generated by the incremental investment of portfolio securities. In addition, the Fund may not be able to negotiate a loan facility on acceptable terms. There can be no assurance that the borrowing strategy employed by the Fund will enhance returns.

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

### **Limited Sources of Borrowing**

The Canadian financial marketplace has a limited number of financial institutions that provide credit to entities such as the Fund. The limited availability of sources of credit may limit the Fund's ability to take advantage of leveraging opportunities to enhance the yield on its investments.

### **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 Fund's portfolio positions may be reduced. In addition, the Fund may from time to time hold large positions with respect to a specific type of financial instrument, which may reduce the Fund's liquidity. During such times, the Fund 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 Fund 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 Fund 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 Fund's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Fund's exposure to their credit risk.

### **Insolvency of R.C. Morris**

The Fund's interest in an investment may be held by legal title and registered in the name of R.C. Morris or its affiliates on behalf of the Fund. The insolvency of R.C. Morris could result in the loss of all or a substantial portion of the assets of the Fund held by R.C. Morris and/or the delay in the payment of withdrawal proceeds.

### **Nature of the Investments**

An investment in commercial loans, particularly mezzanine finance, can require a long-term commitment. Many of the Fund's investments will be highly illiquid and there can be no assurance that the Fund 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 Fund. As the Fund may make only a limited number of investments, poor performance by a few of the investments could significantly affect the total returns to the Fund. In the event a portfolio company fails to meet projections, the Fund may suffer a partial or total loss of capital invested in that company.

Therefore, there can be no assurance that the Fund will be able to realize the value of its investments and distribute proceeds in a timely manner.

The Fund'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 Fund or if the Fund was unable to invest its funds in commercial loans on economically favourable terms. On default by a borrower, the Fund 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.

### **Portfolio Turnover**

The Fund 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.

### **Use of Derivatives**

The Fund may use derivative instruments. The use of derivatives may present additional risks to the Fund. To the extent of the Fund'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 Fund from achieving the intended hedge effect or expose the Fund to the risk of loss. In addition, derivative instruments may not be liquid at all times, so that in volatile markets the Fund may not be able to close out a position without incurring a loss. 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 Fund to hedge its exposure, will not result in material losses which the Issuer has instituted policies to manage and mitigate.

### **Composition of Investments**

The composition of the investments of the Fund taken as a whole may vary widely from time to time and may be concentrated by type of security, commodity, industry or geography, resulting in the investments being less diversified than anticipated. Overweighting investments in certain sectors or industries involves risk that the Fund will suffer a loss from declines in the prices of securities in those sectors or industries.

**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.**

**Neither the Fund, the Administrator, nor the Manager is responsible for, and undertakes no obligation to, determine the general investment needs and objectives of a potential investor and the suitability of the Units having regard to any such investment needs and objectives of the potential investor.**

## **PERSONAL INFORMATION**

By purchasing the Units, the purchaser acknowledges that the Fund and its respective agents and advisers may each collect, use and disclose its name and other specified personally identifiable information (the "**Information**"), including the amount of the Units that it has purchased for purposes of meeting legal, regulatory and audit requirements

and as otherwise permitted or required by law or regulation. The purchaser consents to the disclosure of that Information.

By purchasing the Units, the purchaser acknowledges (a) that Information concerning the purchaser will be disclosed to the relevant Canadian Securities regulatory authorities, including the Ontario Securities Commission, and may become available to the public in accordance with the requirements of applicable securities and freedom of information laws and the purchaser consents to the disclosure of the Information; (b) is being collected indirectly by the applicable Canadian Securities regulatory authority under the authority granted to it in securities legislation; and (c) is being collected for the purposes of the administration and enforcement of the applicable Canadian Securities legislation; by purchasing the Units, the purchaser shall be deemed to have authorized such indirect collection of Information by the relevant Canadian Securities regulatory authorities. Questions about such indirect collection of Information by the Ontario Securities Commission should be directed to the Administrative Assistant to the Director of Corporate Finance, Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8 or to the following telephone number (416) 593-8086.

## **LANGUAGE OF DOCUMENTS**

By accepting this Offering Memorandum, the investor acknowledges that it is its express wish that all documents evidencing or relating in any way to the sale of Units be drawn up in the English language only. Par son acceptation de ce document, l'acheteur reconnaît par les présentes qu'il est de sa volonté expresse que tous les tous les documents faisant foi ou se rapportant de queue Meniere à la vente des parts spinet ridges eon anglais seulement.

## **STATUTORY RIGHTS OF ACTION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers of Units pursuant to this Offering Memorandum with, in addition to any other right they may have at law, rights of rescission or damages if this Offering Memorandum and any amendment to it contains a misrepresentation. These remedies must be exercised within the prescribed time limits. Subscribers should refer to the applicable securities legislation for the particulars of these rights or consult with a legal advisor. Statutory rights of action for each of the Offering Jurisdictions are described in Schedule A hereto.

## SCHEDULE A - PURCHASER'S RIGHTS OF ACTION

### Two Day Cancellation Right

Securities legislation in certain provinces and territories may give a purchaser certain rights of rescission, against the registered dealer who sold Units to them, but those rights must be exercised within a certain time period, as little as forty-eight (48) hours, following the purchase of Units.

### Statutory Rights of Action for Damages or Rescission

In addition to and without derogation from any right or remedy that a purchaser of 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 hereto 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 the 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 following is a summary of the rights of rescission or damages, or both, available to investors under the securities legislation of certain of the jurisdictions of Canada. Purchasers should refer to the applicable provisions of the securities legislation of their province or territory of residence for the particulars of these rights or consult with a legal advisor.

### 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 such right of action if the Fund proves the investor 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 investor 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 price at which the Units were offered to the investor; 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 subscription by the Fund; or
  - (ii) in the case of an action for damages, the earlier of:
    - (A) 180 days after the investor has knowledge of the Misrepresentation, or
    - (B) three years after the date of the acceptance of the subscription by the Manager.

The foregoing rights do not apply if the purchaser purchased Units using the “accredited investor” exemption and is:

- (f) a Canadian financial institution (as defined in National Instrument 45-106) or a Schedule III bank;
- (g) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- (h) a subsidiary of any person referred to in paragraphs (a) and (b), 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 together with any amendment hereto or advertising or sales literature used in connection therewith delivered to a purchaser of Units resident in Saskatchewan contains a Misrepresentation, the purchaser has, without regard to whether the purchaser relied on the Misrepresentation, a right of action for damages against the Fund, every promoter of the Fund, and every person who or 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 upon;
- (c) in no case shall the amount recoverable exceed the price at which the Units were sold to the purchaser; and
- (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 acceptance of the purchaser’s subscription agreement by the Manager; 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 acceptance of the purchaser’s subscription agreement by the Manager.

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

These rights are subject to more 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 for damages or against the Fund 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 is deemed to be incorporated into, this Offering Memorandum, the Misrepresentation is deemed to be contained in this Offering Memorandum.

### **Rights for Purchasers in Québec**

Under legislation adopted in Québec, if this Offering Memorandum, together with any amendment to this Offering Memorandum, delivered to a purchaser resident in Québec contains a Misrepresentation, the purchaser will have (i) a right of action for damages against the Fund, every director or officer of the Fund and the dealer (if any) under contract to the Fund, or (ii) a right of action against the Fund for rescission of the purchase contract or revision of the price at which Units were sold to the purchaser.

No person or company will be liable if it proves that:

- (a) the purchaser purchased the Units with knowledge of the Misrepresentation; or
- (b) in an action for damages, that it acted prudently and diligently (except in an action brought against the Fund).

No person will be liable for a Misrepresentation in forward-looking information if the person proves that:

- (a) this Offering Memorandum contains, proximate to the forward-looking information, 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
- (b) the person has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

No action may be commenced to enforce such a right of action:

- (a) for rescission or revision of price more than three years after the date of the purchase; or
- (b) for damages later than the earlier of:
  - (i) three years after the purchaser first had knowledge of the facts giving rise to the cause of action, except on proof of tardy knowledge imputable to the negligence of the purchaser; or
  - (ii) five years from the filing of this Offering Memorandum with the Autorité des marchés financiers de Québec.

### **Rights for Purchasers in New Brunswick**

If this Offering Memorandum, or any amendment hereto, delivered to a purchaser of Units resident in New Brunswick contains a Misrepresentation, the purchaser to whom this Offering Memorandum has been delivered and who purchases Units offered hereunder will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and shall have a right of action for damages against the Fund or, at the election of the purchaser, a right of rescission (in which case the purchaser shall cease to have a right of action for damages against the Fund).

In addition, subject to certain limitations, where any advertising or sales literature disseminated in connection with this offering contains a Misrepresentation, a purchaser who purchases Units referred to in that advertising or sales literature is deemed to have relied upon that Misrepresentation if it was a Misrepresentation at the time of purchase. Such purchaser has a right of action for damages against the Fund and every promoter and director of that Fund at the time the advertising or sales literature was disseminated.

In addition, subject to certain limitations, where a person makes a verbal statement to a prospective purchaser that contains a Misrepresentation relating to the Units and the verbal statement is made either before or contemporaneously with the purchase of Units, the purchaser shall be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase and has a right of action for damages against the person who made the verbal statement.

There are various defences available. In particular, no person or company will be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation. 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 the value of the Units as a result of the Misrepresentation relied upon. The amount recoverable under the foregoing rights of action will not exceed the price at which the Units were purchased.

No person will be liable for a Misrepresentation in forward-looking information if the person proves that:

- (a) this Offering Memorandum contains, proximate to the forward looking information, 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
- (b) the person has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

No action shall be commenced to enforce the foregoing rights:

- (c) 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
- (d) in the case of any action, other than an action for rescission, more than the earlier of
  - (i) 1 year after the purchaser first had knowledge of the facts giving rise to the cause of action, and
  - (ii) 6 years after the date of the transaction that gave rise to the cause of action.

### **Rights for Purchasers in Nova Scotia**

Securities legislation in Nova Scotia requires that subscribers be provided with, in addition to any other right they may have at law, contractual rights of rescission or damages, or both, where this Offering Memorandum and any amendment thereto contains a Misrepresentation. However, such rights must be exercised by the subscriber within specified time limits.

If this Offering Memorandum, together with any amendment or supplement thereto, or any “advertising or sales literature” (as defined in the Securities Act (Nova Scotia)) delivered to a purchaser of Units resident in Nova Scotia 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, subject as hereinafter provided, a right of action, exercisable on written notice given to the Manager not more than 120 days subsequent to the date on which payment was made for the Units, either for damages or alternatively for rescission against the Fund while still the owner of any of the Units offered hereunder, provided that:

- (a) the Fund shall not be held liable pursuant to such right of action if the Fund proves the investor 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 investor as a result of the Misrepresentation relied upon; and
- (c) in no case shall the amount recoverable pursuant to such right of action exceed the price at which the Units were offered to the investor.

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

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

#### **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 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 purchaser 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) this 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) after the delivery of this Offering Memorandum and before the purchase of the Units by the purchaser, on becoming aware of any Misrepresentation in this Offering Memorandum, the person or company withdrew the person's or company's consent to this 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 this 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) 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
- (f) in no case shall the amount recoverable exceed the price at which the Units were sold to the purchaser.

No person will be liable for a Misrepresentation in forward-looking information if the person proves that:

- (a) this Offering Memorandum contains, proximate to the forward looking information, 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
- (b) the person has a reasonable basis for drawing the conclusion or making the forecasts and Rights for Purchasers in projections set out in the forward-looking information.

### **Rights for Purchasers in Northwest Territories, Yukon and Nunavut**

If this Offering Memorandum, together with any amendment to this Offering Memorandum, delivered to a purchaser resident in the Northwest Territories, Yukon or Nunavut contains a Misrepresentation and it was a Misrepresentation at the time of purchase, the purchaser will have, without regard to whether the purchaser relied on the Misrepresentation, a right of action for damages against the Fund 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 purchaser purchased the Units with knowledge of the Misrepresentation;
- (c) no person (other than the Fund) will be liable if it proves that:
  - (i) this Offering Memorandum was delivered to the purchaser without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave reasonable notice to the Fund that it was delivered without the person's knowledge or consent;
  - (ii) the person, on becoming aware of the Misrepresentation in this Offering Memorandum, withdrew the person's consent to this Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it; or
  - (iii) with respect to any part of this Offering Memorandum 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, the person had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, or the relevant part of this Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (d) no person (other than the Fund) will be liable with respect to any part of this 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 (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 or 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 summary is subject to the express provisions of the applicable securities legislation of each jurisdiction, and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

The rights of action described herein are in addition to and without derogation from any other right or remedy that the purchaser may have at law and are subject to the defences contained in those laws.

## **NEXT EDGE RCM PRIVATE YIELD FUND**

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