

*This offering memorandum (“Offering Memorandum”) has been prepared solely for the purpose of assisting prospective purchasers in making an investment decision with respect to limited partnership interests (“Units”) of the Romspen US Mortgage Investment Fund (the “Partnership”). See Definitions for the meaning ascribed to certain capitalized terms in this Offering Memorandum. The Units are offered for sale only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a public offering or advertisement of Units. No securities commission or similar regulatory authority has passed on the merits of the Units or reviewed this Offering Memorandum and any representation to the contrary is an offence. The Units do not trade on any exchange or market. Subject to the availability of exemptions from the prospectus requirements under applicable securities laws, holders of Units will be restricted from selling their Units for an indefinite period. Holders of Units will have certain redemption rights. See Description of Units - Unitholder Redemption Rights.*

## OFFERING MEMORANDUM

Offering

June 1, 2018

### ROMSPEN US MORTGAGE INVESTMENT FUND

Up to \$750,000,000

---

**PRICE: Net Asset  
Value per Unit**

---

Minimum Subscription: \$50,000  
subject to compliance with applicable securities laws

The Partnership is offering, on a private placement basis, Units at Net Asset Value per Unit, for maximum total gross proceeds of \$750,000,000 (the “**Offering**”).

The Offering is being made in reliance on certain exemptions to the prospectus requirements under applicable securities laws in the Offering Jurisdictions. As a result, the Units will be subject to the applicable resale restrictions under such laws. The Partnership has engaged Romspen Investment Corporation (“**Manager**”), in its capacity as an exempt market dealer, to coordinate the sale of Units. See Offering.

**The Partnership is a “connected issuer” of Manager as such term is defined in National Instrument 33-105 – Underwriting Conflicts (“NI 33-105”) (for clarity, Manager is not acting as an “underwriter” in the distribution of Units as such term is defined in NI 33-105).** Currently, certain of the officers and directors of the General Partner are directors, officers and employees of Manager. For additional information, please see the headings Offering – Connected Issuer and Conflicts of Interest.

The Partnership is a limited partnership formed by a declaration under the laws of Ontario on February 12, 2018. The Partnership’s affairs are governed by its limited partnership agreement (as has been or may be amended, modified or restated from time to time, the “**Partnership Agreement**”). It is anticipated that the Partnership will commence operations in June 2018. The Partnership was formed to be a “feeder fund” for, and a limited partner of, Romspen US Master Mortgage LP (the “**Master Fund**”), an exempted limited partnership formed on December 22, 2017, under the *Exempted Partnership Law* (as amended) of the Cayman Islands.

The net proceeds of the Offering will be used by the Partnership to subscribe for limited partnership interests (“**Master Fund Units**”) of, and advance funds to, the Master Fund, thus providing the Master Fund with capital to make Authorized Investments, primarily direct and indirect interests in Mortgage Loans. The objectives of the Master Fund are to provide its limited partners (of which the Partnership will be one) with stable and secure cash distributions from such Mortgage Loans and related investments in market segments which are under-served by large financial service providers; and to obtain superior yields and maximize distributions through the efficient management of the Master Fund’s investments in such market segments. The Master Fund is a non-bank provider of real estate finance. The Master Fund intends to make monthly cash distributions to its limited partners, and the Partnership will make monthly distributions to its Unitholders, primarily from cash distributions received from the Master Fund. See Distribution Policy. It is important for Subscribers to consider risk factors that may affect the

commercial mortgage market generally and therefore the stability of distributions to Unitholders. Subscribers are urged to read the Risk Factors section of this Offering Memorandum for a more complete discussion of these risks and their potential consequences and to review these risks with their professional advisors.

The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under that Act or any other legislation.

The price of the Units offered hereby was established by the General Partner. **There are certain risk factors inherent in an investment in the Units and in the activities of the Partnership, including the possibility of Unitholder liability. See Risk Factors.**

Subscriptions will be received if, as and when accepted, subject to prior sale and satisfaction of the conditions set forth under Subscription Procedure and to the right of the General Partner to close the subscription books at any time without notice. Closings will be held on a monthly basis on or about the first Business Day of each month, or at such other dates as determined by the General Partner. **Subscribers will have 2 Business Days to cancel their agreement to purchase Units. If there is a misrepresentation in this Offering Memorandum, Subscribers will have the right to sue either for damages or to cancel their agreement to purchase Units, as set out in Schedule A to this Offering Memorandum. See Subscription Procedures and Rights of Action for Damages or Rescission.**

#### DISCLAIMERS

This Offering Memorandum does not constitute, and may not be used for or in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized, or to any person to whom it is unlawful to make such an offer or solicitation. You are directed to inform yourself of and observe such restrictions and all legal requirements of your jurisdiction of residence in respect of the acquisition, holding and disposition of the Units offered hereby.

**Subscribers should thoroughly review this Offering Memorandum and are advised to consult with their professional advisors to assess the business, legal, income tax and other aspects of this investment.**

The Units will be issued only on the basis of information contained in this Offering Memorandum and provided by the General Partner in writing, and no other information or representation is authorized or may be relied upon as having been authorized by the Partnership. Any subscription for the Units made by any Person on the basis of statements or representations not contained in this Offering Memorandum or so provided, or inconsistent with the information contained herein or therein, shall be solely at the risk of such Person. Neither the delivery of this Offering Memorandum at any time nor any sale to Subscribers of any of the 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 Partnership since the date of the sale to any Subscriber of the securities offered hereby or that the information contained herein is correct as of any time subsequent to that date.

## TABLE OF CONTENTS

<b>DISCLAIMERS .....</b>	<b>2</b>
<b>TABLE OF CONTENTS .....</b>	<b>3</b>
<b>SUMMARY OF THE OFFERING .....</b>	<b>4</b>
<b>DEFINITIONS.....</b>	<b>9</b>
<b>THE PARTNERSHIP .....</b>	<b>14</b>
<b>INDUSTRY OVERVIEW.....</b>	<b>14</b>
<b>MASTER FUND’S INVESTMENT PROGRAM.....</b>	<b>15</b>
<b>INVESTMENT AND OPERATING POLICIES OF THE MASTER FUND.....</b>	<b>19</b>
<b>THE MANAGER.....</b>	<b>23</b>
<b>LICENSING AND LEGISLATIVE REGIME .....</b>	<b>25</b>
<b>MANAGEMENT OF THE PARTNERSHIP.....</b>	<b>25</b>
<b>PARTNERSHIP AGREEMENT.....</b>	<b>26</b>
<b>CAPITAL RAISING AGREEMENT .....</b>	<b>33</b>
<b>MATERIAL AGREEMENTS.....</b>	<b>35</b>
<b>CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS .....</b>	<b>39</b>
<b>OFFERING .....</b>	<b>41</b>
<b>SUBSCRIPTION PROCEDURE .....</b>	<b>43</b>
<b>RESALE RESTRICTIONS .....</b>	<b>44</b>
<b>REGISTRAR AND TRANSFER AGENT .....</b>	<b>44</b>
<b>RISK FACTORS .....</b>	<b>44</b>
<b>CONFLICTS OF INTEREST .....</b>	<b>54</b>
<b>CERTIFICATE .....</b>	<b>55</b>
<b>RIGHTS OF ACTION FOR DAMAGES OR RESCISSION.....</b>	<b>56</b>

## SUMMARY OF THE OFFERING

*This is a summary only and is qualified by the information appearing elsewhere in this Offering Memorandum. Capitalized terms appearing herein and not otherwise defined have the respective meanings ascribed thereto in the Definitions section or elsewhere in this Offering Memorandum. Unless otherwise indicated, all references to dollar amounts in this Offering Memorandum are to U.S. dollars.*

### **Significant Parties**

<b>Issuer:</b>	Romspen US Mortgage Investment Fund (the “ <b>Partnership</b> ”), a limited partnership formed under the laws of Ontario on February 12, 2018. The head office of the Partnership is located at 162 Cumberland Street, Suite 300, Toronto, Ontario, M5R 3N5.
<b>General Partner:</b>	Romspen US Fund GP Inc. (the “ <b>General Partner</b> ”), an Ontario corporation. All of the issued and outstanding shares of the General Partner are owned by Romspen Holdings Inc., an Affiliate of Manager. The General Partner is responsible for management of the business of the Partnership.
<b>Master Fund</b>	Romspen US Master Mortgage LP (the “ <b>Master Fund</b> ”), an exempted limited partnership formed under the <i>Exempted Partnership Law</i> (as amended) of the Cayman Islands on December 22, 2017. The Master Fund is a provider of real estate finance, primarily in the United States.
<b>Master Fund General Partner</b>	Romspen US Mortgage GP Inc. (the “ <b>Master Fund General Partner</b> ”), an Ontario corporation, registered as a foreign company in the Cayman Islands pursuant to the <i>Companies Law</i> (as amended) of the Cayman Islands. All of the issued and outstanding shares of the Master Fund General Partner are owned by Romspen Holdings Inc., an Affiliate of Manager. The General Partner is responsible for management of the business of the Master Fund.
<b>Manager</b>	Romspen Investment Corporation (the “ <b>Manager</b> ”), an Ontario corporation, is the agent for the Partnership. Manager is a licenced/registered as a mortgage brokerage and mortgage administrator in Ontario, a mortgage broker in British Columbia and a mortgage broker in Alberta. The Manager provides capital raising services to the Partnership and mortgage origination and administration management and oversight services to the Master Fund. The Manager is a registered exempt market dealer in each of the Offering Jurisdictions.
<b>Master Fund Manager</b>	Romspen Investment LP (“ <b>Master Fund Manager</b> ”), an Ontario limited partnership formed on December 16, 2016, provides overall management services to the Master Fund. The Manager is the only limited partner of Master Fund Manager. RILP GP Inc., an Ontario corporation incorporated on December 16, 2016, is the general partner of the Master Fund Manager. All of the shares of RILP GP Inc. are owned by Romspen Holdings Inc., an Affiliate of Manager.

**Offering**

<b>Offering</b>	Units of the Partnership.
<b>Offering Size</b>	\$750,000,000 (maximum).
<b>Price</b>	Net Asset Value per Unit, calculated in US dollars as of each Valuation Date.
<b>Attributes of Units</b>	The Units represent limited partnership interests of the holders thereof in the capital of the Partnership. Each Unit carries one vote at meetings of Unitholders and a Unitholder is entitled to distributions as described under <u>Distribution Policy</u> .
<b>Use of Proceeds</b>	Proceeds from the Offering (after deducting the costs of issue and reasonable reserves for Partnership expenses) will be used by the Partnership to acquire Master Fund Units, or to make other Authorized Partnership Investments.
<b>Subscription Procedure</b>	Subscribers may subscribe for Units through Manager or through Representatives. Upon FundSERV activation, Representatives will process orders by electronic means through FundSERV using the code: RIC 200. Each Subscriber must: (i) complete and sign a Subscription Agreement, including the applicable schedules thereto; (ii) deliver payment of the subscription price for the Units to the Partnership by way of electronic transfer satisfactory to the General Partner or any administrator (payment of the subscription price through a Representative will transact through FundSERV one (1) Business Day after the applicable monthly Closing); and (iii) deliver to Manager the Subscription Agreement with applicable schedules referenced above and any other forms, declarations and documents as may be required by Manager or the Subscriber's Representative, if applicable, to complete the subscription.

**Strategy and Business of the Partnership**

The Partnership is a “feeder fund” of the Master Fund. It will further its objectives of preserving capital and providing its Unitholders with stable and secure cash distributions by contributing capital to the Master Fund, primarily by purchasing Master Fund Units of the Master Fund. The Partnership will obtain exposure to Mortgage Loans through its investment in the Master Fund (see Mortgage Loans).

**Investment and Operating Policies of the Master Fund***Investment Policies*

The Master Fund will adhere to the following policies established by the Master Fund Partnership Agreement, when investing the Master Fund's capital:

- (a) Master Fund capital may be invested only in Authorized Investments, including participations and co-lending arrangements with third parties or with affiliates and their principals;
- (b) when not invested in Authorized Investments, Master Fund capital will be invested in Authorized Interim Investments;
- (c) at least 80% of the Master Fund's capital will be invested in Mortgage Loans secured by first liens on the applicable property or first-ranking participations or co-lending arrangements;

- (d) Loan to Value ratios – the Master Fund’s target loan-to-value ratio for Mortgage Loans is between 60%-70%;
- (e) Title Insurance – absent special circumstances, all Mortgage Loans will be title insured by a reputable title insurance company;
- (f) Insurance – borrowers must adhere to the Master Fund’s property insurance requirements, as supplemented by the advice of the Master Fund’s insurance consultant, if applicable
- (g) In addition to being secured primarily by liens on real property, Mortgage Loans in which the Master Fund invests will also typically be secured by (i) guarantees from beneficial owners and/or borrower sponsors, with such guarantees further secured by a security interest in the guarantors’ assets, (ii) a pledge of the ownership interests of the borrower; (iii) a security interest in the borrower’s assets, (iv) an environmental indemnity from the borrower and guarantors, (v) a specific assignment of material agreements relating to the real property, and (vi) other loan documents standard in the lending market in which the Master Fund operates for the specific type of Mortgage Loan being made; and
- (h) Diversification – absent special circumstances, such as the necessity to protect Master Fund capital or for risk management purposes, no more than 10% of Master Fund capital may be invested in any single Mortgage Loan, or with any single borrower/sponsor.

*Operating Policies*

- (a) Master Fund Borrowings – Borrowings will be on commercially reasonable terms and will not exceed 35% of the Mortgage Loan Portfolio cost;
- (b) Investment Approval – Authorized Investments must be approved by the Master Fund General Partner and the Manager; and
- (c) Legal title to Authorized Investments may be held and recorded/registered by a collateral agent in trust for the Master Fund, which agent may be the Master Fund General Partner or a person approved by the Master Fund General Partner, including an Affiliate.

See Investment and Operating Policies of the Master Fund.

**Mortgage Loan Portfolio**

The Mortgage Loan Portfolio will consist of direct or indirect interests in Mortgage Loans, secured by a range of Real Properties and will have, among other things, the following characteristics, some of which are stipulated by the Master Fund’s investment policies:

- a majority of Mortgage Loans will be less than \$50 million, with a larger concentration of Mortgage Loans being between \$5 million and \$40 million;
- payments typically will be interest-only;
- generally will have terms of 2 years or less;
- Mortgage Loans are secured by Real Property located in the U.S., and are denominated in U.S. dollars; and
- Mortgage Loans are syndicated, or participations are sold in Mortgage Loans, when deemed appropriate.

As at March 31, 2018:

- Mortgage Loans managed or sub-managed by the Manager consist of 79 Mortgage Loans with a combined balance, net of fair value provisions, of approximately \$751 million;
- all Mortgage Loans are First Mortgage Loans;
- approximately 65% of such Mortgage Loans had terms of less than one year, approximately 87% had terms of less than 2 years, and the rest had terms of greater than 2 years; and
- the weighted average interest rate of such Mortgage Loans is 10.56%.

### **Mortgage Loans**

Upon the commencement of operations by the Master Fund, the Master Fund will have 2 other “feeder funds” in addition to the Partnership: (1) Romspen Liberty LP (“**Liberty LP**”), an Ontario limited partnership, and (2) Romspen US Mortgage LP (the “**US Feeder Fund**”), a Delaware limited partnership. Romspen Mortgage Limited Partnership (“**RMLP**”) is the sole limited partner of Liberty LP. In turn, Romspen Mortgage Investment Fund (the “**Canadian Fund**”) is the sole limited partner of RMLP. The Canadian Fund gives its investors (primarily Canadian Persons) exposure to Mortgage Loans, in addition to Canadian mortgage loans, by its indirect interest in Liberty LP and by direct holdings by RMLP of Mortgage Loans. The US Feeder Fund will give its investors (primarily US Persons) exposure to Mortgage Loans by its ownership of Units of the Master Fund. Additional “feeder funds” to accommodate future investors may be established.

The Master Fund will use the capital contributions from its feeder funds to invest in Mortgage Loans and other Authorized Investments.

Interests in Mortgage Loans originated by the US Feeder Fund will be conveyed to the Master Fund. Interests in Mortgage Loans owned by RMLP may be conveyed to the Master Fund from time to time. Mortgage Loans not so conveyed will continue to be beneficially owned by RMLP until indefeasibly repaid or disposed of. RMLP may extend, renew and/or modify such Mortgage Loans. Upon the commencement of operations by the Master Fund, it is anticipated that substantially all new Mortgage Loan investments will be entered into by the Master Fund or its Affiliates, and the origination, underwriting and administration of Mortgage Loans will be overseen by the Master Fund Manager.

The Master Fund Manager, an Affiliate of Manager, pursuant to the Servicing Agreement, has been engaged by the Master Fund General Partner to oversee the management of the Master Fund. The Master Fund Manager has the exclusive right to oversee the origination, arranging, underwriting, syndication and servicing all Mortgage Loan investments on behalf of the Master Fund in accordance with specific investment and operating policies established by the Master Fund from time to time. The Master Fund Manager will in turn engage the Manager to provide certain of such services. See Conflicts of Interest.

### **Other Matters**

#### **Risk Factors**

An investment in Units involves certain risks relating to the nature of the Units (being a security of a non-public issuer) and relating to the nature of the Partnership’s assets and activities that prospective Subscribers should consider before making an investment decision or a decision to participate. Prospective Subscribers who are not willing to accept these risks should not proceed with an investment in Units. **Prospective Subscribers are urged to read this entire Offering Memorandum, and specifically the Risk Factors section, the Partnership Agreement and to review the risks identified with their professional advisors.**

### Certain Income Tax Considerations

The Canadian and U.S. income tax summaries contained herein address the principal income tax considerations of an investment in Units (“**Tax Commentaries**”). Subscribers are cautioned that the Tax Commentaries are general summaries only and do not constitute tax advice to any particular Subscriber. The Tax Commentaries identify certain tax risks and contains assumptions, limitations, qualifications and caveats. Prospective Subscribers should review these risks, assumptions, limitations and caveats with their professional tax advisors and reach their own conclusion as to the merits and likely tax consequences of an investment in Units.

### Rights of Action

Securities laws in certain jurisdictions of Canada provide Subscribers with rights of action for rescission or damages where an offering memorandum, such as this Offering Memorandum, any amendment to it, any record incorporated by reference into it, or advertising and sales literature used in connection therewith, contains a misrepresentation. However, these rights must be exercised by the Subscriber within the time limits prescribed by applicable securities laws. See Rights of Action for Damages or Rescission.

### Forward-Looking Statements

Prospective Subscribers should be aware that certain statements used herein, including, without limitation, sensitivity analyses, analyses of market trends, trends in revenue and anticipated expense levels as well as other statements about anticipated future events or results, are forward-looking statements. Forward-looking statements often, but not always, are identified by the use of words such as “seek”, “anticipate”, “believe”, “plan”, “estimate”, “expect”, and “intend” and statements that an event or result “may”, “will”, “should”, “could” or “might” occur or be achieved and other similar expressions. **The forward-looking statements that are contained herein involve a number of risks and uncertainties. Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual events or results might differ materially from events or results projected or suggested in these forward-looking statements.** Some of these risks and uncertainties are identified under the heading Risk Factors. Additional information regarding these factors and other important factors that could cause actual events or results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements made by the Partnership are qualified in their entirety by reference to the important factors discussed in Risk Factors and to those that may be discussed as part of particular forward-looking statements. Neither the Partnership nor the General Partner intends, and do not assume any obligations, to update these forward-looking statements. All statements relating to the prospective operation of the Master Fund and the Partnership are forward-looking statements.



## DEFINITIONS

The following terms used in this Offering Memorandum have the meanings set out below:

“**Affiliate**” has the meaning ascribed thereto in the Ontario Act.

“**Associate**” has the meaning ascribed thereto in the Ontario Act.

“**Authorized Interim Investments**” means authorized interim investments of the Master Fund, and includes, among other things, money-market instruments, and money-market mutual funds, cash or cash equivalents, including U.S. government securities, certificates of deposit and bankers’ acceptances issued by domestic branches of U.S. banks that are members of the Federal Deposit Insurance Corporation.

“**Authorized Investments**” means authorized investments of the Master Fund as set out in the Master Fund Partnership Agreement, and includes Mortgage Loans, Authorized Interim Investments, Related Investments, Workout Investments, or the acquiring, holding, maintaining, improving, leasing or managing of any Real Property where determined necessary or desirable, in the Master Fund General Partner’s sole discretion, to preserve, protect or enhance the Master Fund or its assets.

“**Authorized Partnership Interim Investments**” means cash deposits with a Schedule I or Schedule II bank in Canada, or “specified debt” (as enumerated in section 8.21(2) of *National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registration Obligations*).

“**Authorized Partnership Investments**” means Authorized Partnership Interim Investments and capital contributions to the Master Fund.

“**Business Day**” means a day other than a Saturday, Sunday or any day on which the Schedule I Banks located in Toronto, Ontario are not open for business during normal banking hours.

“**Capital Raising Agreement**” means the agreement, dated as of June 1, 2018, between the Partnership and Manager pursuant to which Manager provides Capital Raising Services to the Partnership. See Capital Raising Agreement.

“**Capital Raising Fee**” has the meaning ascribed to such term under the heading Capital Raising Agreement – Capital Raising Fees.

“**Capital Raising Services**” means the services provided to the Partnership by Manager pursuant to the Capital Raising Agreement.

“**Closing**” means each closing of the Offering.

“**Code**” shall have the meaning ascribed to such term under the heading Certain U.S. Federal Income Tax Considerations – General.

“**Commercial Mortgage Loans**” means Mortgage Loans in respect of properties, land developments and construction projects which have retail, commercial, service, office and/or industrial uses.

“**Construction Mortgage Loans**” means Mortgage Loans which are advanced against stipulated budgets for multi-family residential and commercial, retail, service, office and/or industrial use projects.

“**CRA**” means Canada Revenue Agency.

“**Distributable Cash**” means, in respect of any period, all cash held by or on behalf of the Partnership at the end of such period less estimated accrued Expenses and end of period Reserves, net of all applicable tax obligations.

**“Distribution Date”** in respect of the Partnership means the date on or about the 20<sup>th</sup> of the month following each Valuation Date.

**“Environmental Audit”** means an evaluation of Real Property for purposes of environmental analysis.

**“Expenses”** means expenses incurred by or on behalf of the Partnership in connection with the management of the business of the Partnership, as more fully set out in the Partnership Agreement.

**“FDAP”** shall have the meaning ascribed to such term under the heading Certain U.S. Federal Income Tax Considerations – General.

**“FIRPTA”** shall have the meaning ascribed to such term under the heading Certain U.S. Federal Income Tax Considerations – General.

**“First Mortgage Loan”** means a Mortgage Loan having priority over all other Mortgage Loan interests registered or recorded against the same Real Property used to secure such Mortgage Loan.

**“FundSERV”** means the facility maintained and operated by FundSERV Inc. for electronic communication with participating entities, including the receiving of orders, order matching, contracting, registrations, settlement of orders, transmission of confirmation of purchases and the redemption of investments or instruments.

**“General Partner”** means Romspen US Fund GP Inc., a corporation incorporated under the laws of Ontario, and any successor as the general partner of the Partnership.

**“IRS”** shall have the meaning ascribed to such term under the heading Certain U.S. Federal Income Tax Considerations – General.

**“Manager”** means Romspen Investment Corporation, or such Person as may from time to time be appointed by the General Partner to perform the services performed by the Manager.

**“Master Fund”** means Romspen US Master Mortgage LP, an exempted limited partnership formed under the *Exempted Partnership Law* (as amended) of the Cayman Islands on December 22, 2017.

**“Master Fund Units”** means units representing limited partnership interests in the Master Fund.

**“Master Fund Capital”** at any time, means all of the monies, interests, properties and assets of the Master Fund, including, without limitation, all monies realized from the sale of assets of the Master Fund or borrowings by the Master Fund.

**“Master Fund General Partner”** means Romspen US Mortgage GP Inc., an Ontario corporation, the general partner of the Master Fund.

**“Master Fund Manager”** means Romspen Investment LP, an Ontario limited partnership.

**“Master Fund Manager GP”** means RILP GP Inc., an Ontario corporation, the general partner of the Master Fund Manager.

**“Master Fund Partnership Agreement”** means the amended and restated limited partnership agreement governing the affairs of the Master Fund.

**“Master Fund Withdrawal Gate”** shall have the meaning ascribed to such term under the heading Investment and Operating Policies of the Master Fund – Key Provisions of the Master Fund Partnership Agreement – Withdrawals by Unitholders.

**“Material Agreements”** means the contracts referred to under Material Agreements.

“**MBLAA**” means the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (Ontario).

“**Mortgage Loan**” means a loan, whether or not evidenced by notes, debentures, bonds, assignments of purchase and sale agreements or other evidences of indebtedness, whether negotiable or non-negotiable, secured by a mortgage, hypothec, deed of trust, lien, charge or other security interest of or in Real Property in the United States by or on behalf of the Master Fund.

“**Mortgage Loan Portfolio**” means, at any time, the portfolio of Mortgage Loans held directly by or on behalf of the Master Fund.

“**Net Asset Value**” on any Valuation Date shall be equal to the value, denominated in US dollars, of the Partnership’s assets as at the Valuation Date, less an amount equal to the total liabilities of the Partnership as at the Valuation Date (as more particularly described in the Partnership Agreement);

“**Net Asset Value per Unit**” at a given time means the Net Asset Value divided by the number of Units outstanding at such time,

“**NI 31-103**” means *National Instrument 31-103 - Registration Requirements, Exemptions and Ongoing Registration Requirements*.

“**NI 45-106**” means *National Instrument 45-106 - Prospectus and Registration Exemptions*.

“**Non-Performing Mortgage Loan**” means, at any given time, a Mortgage Loan for which the timing or collectability of interest has been determined to be uncertain by the Manager or the Master Fund Manager, in their sole discretion, and consequently for which accrual of interest is not included in the financial statements for applicable Persons.

“**Non-Residents**” shall have the meaning ascribed to such term under the heading Description of Units – Limitation on Non-Resident Ownership.

“**OBCA**” means the *Business Corporations Act* (Ontario).

“**Offering**” means the offering on a private placement basis of Units for maximum gross proceeds of \$750,000,000 described in this Offering Memorandum.

“**Offering Jurisdictions**” means Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Newfoundland and Labrador, Nova Scotia and any other jurisdiction of Canada where Manager from time to time is registered as an exempt market dealer, where a Representative is registered as a dealer or where the Partnership or Manager engages a third party agent to distribute the Units.

“**Offering Memorandum**” means this offering memorandum dated as at June 1, 2018, as it may be amended, restated or modified from time to time.

“**Ontario Act**” means *Securities Act* (Ontario), and the regulations, rules, policies and other instruments promulgated thereunder.

“**Ordinary Resolution**” means: (i) a resolution passed by Unitholders holding, in the aggregate, more than 50% of the number of Units held by those Unitholders who, being entitled to do so, vote in person or by proxy at a duly convened meeting of the Unitholders or any adjournment thereof; or (ii) a written resolution in one or more counterparts consented to in writing by Unitholders holding, in the aggregate, more than 50% of the number of Units held by those Unitholders who are entitled to vote.

“**Partnership**” means Romspen US Mortgage Investment Fund, a limited partnership created under the laws of Ontario and governed by the Partnership Agreement.

“**Partnership Agreement**” means the limited partnership agreement governing the Partnership.

**“Partnership Capital”** at any time, means all of the monies, interests, properties and assets of the Partnership, including, without limitation, all monies realized from the sale of assets of the Partnership or borrowing by the Partnership.

**“Partnership Property”**, at any time, means: (i) all moneys, securities, property, assets and investments paid or transferred to an accepted by or in any manner acquired by the Partnership and held by the General Partner or another Person on behalf of the Partnership; (ii) all income accumulated under the powers contained in the Partnership Agreement; and (iii) all moneys, securities, property, assets or investments substituted for or representing all or any part of the foregoing, including, without limitation, the initial contribution made by the initial limited partner of the Partnership and all monies realized from the sale of Units or borrowings by the Partnership.

**“Partnership Units”** means units representing limited partnership interests in the Partnership.

**“Person”** means and includes individuals, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, land trusts, business trusts or other organizations, whether or not legal entities and governments and agencies and political subdivisions thereof.

**“Pre-Development Mortgage Loans”** means Mortgage Loans granted as security for loans which are advanced for the purpose of assisting in the development of the mortgaged lands which may include, but not be limited to, Mortgages that are advanced against stipulated budgets for the acquisition of land, pre-development costs and installation and construction of roads, drainage, sewage, utilities, and similar improvements on such lands.

**“Qualified Appraiser”** means a person who is an appraiser accredited or licensed by the Appraisal Institute of Canada, the American Society of Appraisers or any successors thereof.

**“Real Property”** means property which in law is real property and includes, whether or not the same would in law be real property, leaseholds, Mortgages, undivided joint interests in real property (whether by way of tenancy-in-common, joint tenancy, co-ownership, joint venture or otherwise) and any interests in and to any of the foregoing.

**“Redemption Date”** means the last day of each month, or if not a Business Day, then the next Business Day.

**“Redemption Charge”** has the meaning ascribed to such term under the heading Partnership Agreement – Redemption of Units.

**“Redemption Request”** has the meaning ascribed to such term under the heading Partnership Agreement – Redemption of Units.

**“Register”** means that record of the names and addresses of Unitholders together with other pertinent information to be kept by, on behalf of, or under the direction of the General Partner.

**“Registered Plans”** shall have the meaning ascribed to such term under the heading Certain Canadian Federal Income Tax Considerations – Eligibility for Investment.

**“Related Investment”** means bonds, debentures, notes or other evidence of indebtedness in, or shares, units or other evidence of ownership in any entity, engaged directly or indirectly in the funding, holding or investing in Mortgage Loans, or the sole or principal purpose and activity of which is to invest in, hold and deal in Mortgage Loans.

**“Representative”** means the duly authorized registered dealer, broker or investment advisor acting as the agent for a Subscriber or Unitholder.

**“Reserves”** means amounts from time to time transferred or credited, in the sole discretion of the General Partner, to a reserve or contingent account on the books and records of the Partnership for Expenses and such other matters and things as the General Partner acting reasonably determines as being appropriate.

**“Services Agreement”** means the agreement between the Master Fund and the Master Fund Manager, pursuant to which the Master Fund Manager will coordinate and oversee the provision of mortgage origination and management services to the Master Fund.

**“Special Resolution”** means: (i) a resolution passed by Unitholders holding, in the aggregate, not less than 66 2/3% of the number of Units held by those Unitholders who, being entitled to do so, vote in person or by proxy at a duly convened meeting of Unitholders or any adjournment thereof; or (ii) a written resolution in one or more counterparts consented to in writing by Unitholders holding, in the aggregate, not less than 66 2/3% of the number of Units held by those Unitholders who are entitled to vote.

**“Subordinate Mortgage Loan”** means a Mortgage Loan other than a First Mortgage Loan.

**“Subscribers”** means subscribers for Units hereunder, pursuant to the Offering, whose subscriptions have been accepted by the General Partner, and to whom Units have been issued and not revoked or transferred (individually, a “Subscriber”).

**“Subscription Agreement”** means the agreement to be entered into between the Partnership and Subscribers in furtherance of a subscription for Units under the Offering in such form as approved by the General Partner from time to time.

**“Subsidiary”** has the meaning ascribed thereto in the OBCA.

**“Syndication”** means the sharing of ownership a Mortgage Loan or other investment by more than one Person.

**“Tax Act”** means the *Income Tax Act* (Canada) and the regulations promulgated thereunder.

**“Tax Proposals”** shall have the meaning ascribed to such term under the heading Certain Canadian Federal Income Tax Considerations – General.

**“Tendered Units”** shall have the meaning ascribed to such term under the heading Description of Units – Unitholder Redemption Rights.

**“Tendering Unitholders”** shall have the meaning ascribed to such term under the heading Description of Units – Unitholder Redemption Rights.

**“Treaty”** shall have the meaning ascribed to such term under the heading Certain U.S. Federal Income Tax Considerations – General.

**“Unitholder”** means a holder of Units.

**“Unit”** means a unit representing a limited partnership interest in the Partnership.

**“US GAAP”** means generally accepted accounting principles in the United States.

**“USRPI”** shall have the meaning ascribed to such term under the heading Certain U.S. Federal Income Tax Considerations – General.

**“Valuation Date”** means the last Business Day of each month.

**“Workout Investments”** means any evidence of indebtedness, any evidence of ownership in any entity or any other investment made by or at the direction of the Master Fund General Partner, in the Master Fund General Partner’s sole discretion, on behalf of the Master Fund, to preserve or protect the Master Fund or its assets.

Reference to any agreement or other instrument in writing means such agreement or other instrument in writing as amended, modified, replaced, or supplemented from time to time. Any reference to a statute includes and is a reference to such statute and to the regulations made pursuant thereto, with all amendments made thereto and in

force from time to time, and to any statute or regulations that may be passed which have the effect of supplementing or superseding such statute or regulations.

## **THE PARTNERSHIP**

The Partnership is a limited partnership formed under the laws of Ontario on February 12, 2018. See Partnership Agreement, Description of Units. The head office of the Partnership is located at 162 Cumberland Street, Suite 300 Toronto, Ontario M5R 3N5. The General Partner is responsible for the overall control and direction of the Partnership. See General Partner.

The Partnership was established for the principal purpose of issuing Units and investing the net Offering proceeds in Master Fund Units, and has investment objectives identical to those of the Master Fund. The Partnership will almost exclusively derive its income from its investment in Master Fund Units. See Partnership Agreement, Master Fund Partnership Agreement and Description of Units. The Master Fund's long-term objective is to provide its limited partners with stable and secure cash distributions from its investments in Mortgage Loans in its target market segments, with the goal of obtaining favourable yields and maximizing distributions and the value of limited partnership interests through the efficient sourcing and management of a geographically diverse portfolio of Mortgage Loan investments in the United States.

The objective of the Partnership is to generate income, primarily from its investment in Master Fund Units. The Partnership's income will be derived from its interest in the Master Fund. From this income, the General Partner will calculate, allocate and distribute the Partnership's Distributable Cash to Unitholders on a monthly basis or other scheduled basis as determined by the General Partner from time to time in accordance with the Partnership Agreement.

To achieve these objectives, the Partnership will benefit from the experience of the Manager's principals, agents and employees in originating, underwriting, syndicating and servicing Mortgage Loan investments for the Master Fund, as overseen by the Master Fund Manager. Mortgage Loan investments will be subject to specific investment policies and the operation of the Master Fund will be subject to specific operating policies. These policies were established based on the historical practices of the Manager, whose principals have been successfully operating in the mortgage investment industry for many years. See Investment Strategy and Investment and Operating Policies of the Master Fund.

The Master Fund intends to pursue a strategy of growth through additional direct and indirect investments in Mortgage Loans in areas that are currently underserved by banks and other lending institutions. The Master Fund is well positioned to grow its portfolio by focusing on underserved market niches within the real estate lending market and intends to expand its Mortgage Loan assets by accessing capital through further capital contributions from the Partnership and other limited partners. The Partnership will finance additional capital contributions to the Master Fund by the issuance of additional Units. See Investment Strategy and Investment and Operating Policies of the Partnership.

The Partnership was established, essentially, for an indefinite term. Pursuant to the Partnership Agreement, dissolution of the Partnership requires approval by Special Resolution. See Description of Units.

## **INDUSTRY OVERVIEW**

The Commercial Mortgage Loan market in the United States is segmented into tiers that reflect the desirability of Commercial Mortgage Loans as tier-one, mid-tier or other by the large lending institutions. Several business and project specific factors influence this segmentation. The business factors vary from time to time and by region amongst the large lending institutions and include geographical preferences and concentration issues, other business objectives, relationships with borrowers, risk tolerance, cost of funds, size of Mortgage Loans, and other financial criteria inherent to each individual lender. Project-specific factors include the stage of project development, borrower profile and experience, market factors, the amount of borrower equity, levels of presales and/or pre-leasing, existence of mortgage insurance and clarity of exit and repayment strategies. These factors, when ranked by each lender, determine the tiered structure of the industry and the pricing and availability of capital to borrowers throughout the market place. As such, it is quite common to have similar projects considered as either tier-one

and/or mid-tier by different lenders and to have the same project evolve from a lower-tier to a tier-one ranking project and for it to attract new and different lenders as the project moves through the various development stages of land acquisition, pre-development, infrastructure, construction, and finally the selling cycle. As a result, in the United States' most populated cities, major financial institutions compete for the tier-one, high volume, secured or insurable loan opportunities with an oversupply of capital to opportunities. In all other markets, there exists a near constant imbalance of capital to demand for Commercial Mortgage Loan funds for mid-tier development and construction projects. In these markets, the Master Fund and other private lenders compete for lower volume development and construction loan opportunities with a usual oversupply of opportunities to appropriately priced capital. The segments between tiers are known as shoulder markets.

### **MASTER FUND'S INVESTMENT PROGRAM**

The following is a general description of the principal types of investments which the Master Fund intends to make, certain investing techniques that it may employ, the investment criteria that it plans to apply, and the guidelines that it has established with respect to the composition of the Mortgage Loan Portfolio. The following description is merely a summary, and prospective investors should not assume that any descriptions of the specific activities in which the Master Fund may engage are intended in any way to limit the types of investment activities which the Master Fund may undertake or the allocation of Master Fund capital among such investments.

#### **The Master Fund's Value Proposition**

The investment strategy of the Master Fund is to invest in Mortgage Loans in the shoulder and mid-tier markets where borrowers' credit requirements are not being met by larger lending institutions. To maintain a stable yield on the portfolio, the Master Fund will manage risk by diversifying the portfolio across several criteria, and by employing conservative underwriting standards and diligent and pro-active servicing and administration processes. As a result of the Master Fund's intended strategy of initiating a lending relationship in the early stages of a development and the restricted competition in the markets in which it invests, the Master Fund anticipates that it will continue to have substantial influence over interest rate pricing and investment security exposure on its investments.

As part of its growth strategy, the Master Fund may develop and execute a strategy for consolidation within its target markets, which strategy may involve purchasing existing Mortgage Loans or Mortgage Loan portfolios from other lenders currently competing in these markets. As well, the Master Fund will actively seek to optimize the risk/return relationship of various investments by overweighting attractive segments/geographic regions and underweighting others, while always ensuring adequate portfolio diversification.

#### **Investment Objectives and Overview**

The Master Fund's long-term objectives are to: (a) provide its limited partners with stable and secure cash distributions from its investments in Mortgage Loans in its target market segments, and (b) preserve Master Fund capital. The Master Fund's goal is to obtain favorable yields and maximize distributions to its limited partners through the efficient sourcing of, investment in and management of a diverse portfolio of Mortgage Loan investments.

The Master Fund will seek to achieve its investment objectives by investing, directly or indirectly, in Authorized Investments. The Master Fund may make such investments directly or indirectly, through one or more special-purpose vehicles formed by the Master Fund General Partner or an Affiliate to facilitate such investments.

The Master Fund generally expects that almost all of the its Authorized Investments will consist of Mortgage Loans sourced, originated and underwritten by the Master Fund and/or the Manager and its Affiliates, and their employees and agents, either directly, or through an extensive network of industry intermediaries, and that almost all Mortgage Loans will be first lien mortgages. It is anticipated that, in most cases, the Master Fund will be the sole owner of the Mortgage Loans. However, the Master Fund may also participate in or purchase portions of Mortgage Loans originated by other lenders. Participation or purchased interests in Mortgage Loans will generally either be *pari passu* with other participants or lenders, or in a senior position to other participants or lenders. The Master Fund may also offer and sell to third parties participation or syndicated interests in Mortgage Loans owned by the Master Fund, in order to optimize the size or risk characteristics of the position in the Mortgage Loan retained by the Master

Fund. In some cases, the Master Fund may invest in Mortgage Loans secured by second liens, or in junior loan participations, subject to the limitation that such subordinate investments do not exceed 20% of Master Fund capital. From time to time, the Master Fund may purchase whole Mortgage Loans (i.e., mortgages that have not been securitized) from third parties, provided such loans meet the Master Fund's investment objectives and satisfy its investment criteria.

The Master Fund intends that the Mortgage Loan Portfolio will emphasize the following types of loans in well-functioning and efficient shoulder markets:

#### ***Pre-Development Mortgage Loans***

Land acquisition, pre-development and infrastructure Mortgage Loans occur at an early stage in a project's development. Borrowers use loan funds to finance land acquisition, pre-development costs and the installation and construction of roads, drainage, sewage, utilities, and similar improvements. Current interest rate pricing for tier-one borrowers and projects ranges from bank prime plus 1% - 2%; 9% - 10% for the shoulder segment between the tier-one and mid-tier markets; and 11% - 14% for mid-tier borrowers and projects. Loan terms in all segments average 12 - 18 months in duration. The Master Fund will continue to focus on the shoulder and mid-tier markets, with pre-development Mortgage Loans underwritten to approximately a 65% or lower loan-to-value ratios.

#### ***Construction Mortgage Loans***

Construction Mortgage Loans follow pre-development Mortgage Loans as projects move through the development cycle, and finance the construction of commercial developments (including mixed-use, office, retail, warehouse, industrial and hotel properties). Current interest rate pricing for tier-one borrowers and projects range from bank prime plus 1% - 2%; 9% - 10% for the shoulder segment between the tier-one and mid-tier markets; and 11% - 14% for mid-tier borrowers and projects. Mortgage Loan terms in all segments average 12 - 24 months in duration. The Master Fund will continue to focus on the shoulder and mid-tier markets with construction Mortgage Loans underwritten to approximately 65% or lower loan-to-value ratio on average. The development and construction shoulder and mid-tier markets, while large and in the hundreds of millions of dollars annually, comprise a relatively small segment of the total real estate lending market.

#### ***Term Mortgage Loans***

Term Mortgage Loans enable an owner of a completed or substantially-completed income producing property to defer arranging longer-term financing until conditions can attract more favorable financing terms. Interest rates vary depending on the borrower, property location, property type, and loan-to-value ratio. These Mortgage Loans are usually short to mid-term in length as the borrower's funding needs are driven by a specific opportunity for use of the funds on an interim basis or as a method of bridging financing until the property qualifies for long-term, low-cost institutional lender financing. Loans in this segment typically average 24 months in duration, and are underwritten to approximately a 65% loan-to-value ratio on average. Occasionally, changes in market conditions or institutional lender criteria will create the opportunity for longer terms.

The typical strategy for the Master Fund's exit of a given Mortgage Loan investment is through a borrower refinancing the loan with a conventional/institutional lender, a sale of all or a part of the real property securing the Mortgage Loan, and, in some cases, a sale of the entire Mortgage Loan to a third party.

#### **Borrowing Strategy**

The Master Fund may enter into one or more credit facilities for working capital purposes in order to enable it to manage its cash requirements, including to make distributions or to pay redemption proceeds. Any such credit facility may be secured by assets of the Master Fund. The Master Fund will use borrowings under the facility to manage its day-to-day cash flow requirements, given the timing issues caused by temporary mismatches between capital inputs and capital requirements. The Master Fund General Partner does not intend to use the facility to enhance Master Fund returns. The ratio of borrowings to Master Fund capital will generally not exceed 35% of the book value of Mortgage Loans held by the Master Fund (as at the time of facility drawdowns). The Master Fund's borrowings are intended to maximize the amount of Master Fund capital that is deployed at any given time in



productive assets, and conversely, to minimize the amount of Master Fund capital waiting to be redeployed between Mortgage Loan investments. Typically, when a borrower repays a loan, the proceeds will be used to pay down the facility rather than being invested in Authorized Interim Investment until being redeployed.

From time to time, the Master Fund may borrow money on an interim basis pending subscriptions for Master Fund Units in order to make investments in Mortgage Loans. Accordingly, the Master Fund may enter into a revolving credit facility arrangement (with a feeder fund or another Person, including an Affiliate) whereby the lender will provide short term financing to the Master Fund for the purpose of making such investments. At the end of the month in which such financing was extended by the lender, the principal amount borrowed by the Master Fund plus interest earned thereon shall be repaid or, at the discretion of the Master Fund, all or a portion of such principal amount may be converted into Master Fund Units at the prevailing net asset value of the Master Fund as determined by the Master Fund Manager as of such date. Such credit facility will be secured by the investments and assets of the Master Fund and no individual borrowing thereunder shall remain outstanding beyond the beginning of the next calendar month. Each borrowing under the revolving credit facility will be entered into on market standard terms generally available to the Partnership from parties unaffiliated with the Manager or the General Partner.

### **Other Investment Considerations**

The Master Fund will use a flexible and opportunistic approach to investing in different Authorized Investments and markets. The cash and cash equivalent balances of the Master Fund may be significant from time to time and will vary as the Manager deems advisable. The percentage of the Master Fund's portfolio invested in different types of Authorized Investments, including cash, will vary based on the Manager's assessment of specific investment opportunities and general market conditions.

Although the Master Fund expects generally to invest directly, the above restrictions will not prevent the Master Fund from investing indirectly through one or more wholly-owned subsidiaries or other vehicles where the Manager considers that such structures would be commercially and tax efficient or provide the only practicable means of access to the relevant investment.

### **Syndication and Participation Strategy**

The Master Fund may participate in or purchase portions of Mortgage Loans originated by other lenders. Participation or purchased interests in Mortgage Loans will generally either be *pari passu* with other participants or lenders, or in a senior position to other participants or lenders. The Master Fund may also offer and sell to third parties participation or syndicated interests in Mortgage Loans owned by the Master Fund, in order to optimize the size or risk characteristics of the position in the Mortgage Loan retained by the Master Fund. In some cases, the Master Fund may invest in Mortgage Loans secured by second liens, or in junior loan participations, subject to the limitation that such subordinate investments do not exceed 20% of Master Fund capital. From time to time, the Master Fund may purchase whole Mortgage Loans (i.e., mortgage loans that have not been securitized) from third parties, provided such loans meet the Master Fund's investment objectives and satisfy its investment criteria.

### **Risk Management**

The Master Fund will take a multi-faceted approach to risk management. In addition to the its default management plan (see Investment and Operating Policies of the Master Fund - Collection Activities and Investment Strategy – Defaults and Workouts), risk management is implicit in the Master Fund's operation of its business through, among other things, its: (i) investment and operating policies and investment guidelines (see Investment and Operating Policies of the Master Fund), (ii) its syndication and participation strategy, (iii) restriction on use of financial leverage, and (iv) its retention of experienced management through the Master Fund Manager, and, ultimately, Manager.

### **Development and Maintenance of the Mortgage Loan Portfolio**

In the Manager's view, the three keys to developing and maintaining a successful Mortgage Loan Portfolio are: (i) prudent underwriting; (ii) the ability to source a broad range of investment opportunities, thereby allowing the General Partner to be selective in its investment choices; and (iii) disciplined monitoring, servicing, collection and

enforcement practices. The Master Fund General Partner believes that, because of the experience of the Manager's principals and senior management, the Master Fund will continue to be able to source, originate and fund Mortgage Loan investments which satisfy the Master Fund investment and operating policies and guidelines because of: (i) the specialized lending structures offered to borrowers; (ii) the reputation, experience and marketing ability of the Manager's principals and senior management; (iii) the timely credit analysis and decision-making processes followed by the Manager and the Master Fund; and (iv) a lack of significant lenders in the market segments in which the Master Fund invests relative to credit demand in these segments.

### **Mortgage Loan Investment Opportunity Sources and Proven Industry Experience**

The Manager currently manages and services over \$2 billion of Mortgage Loans, and it sources Mortgage Loans either directly or through market intermediaries such as mortgage brokerages, financial institutions and other industry professionals. Manager's officers, employees and agents have extensive contacts in the mortgage loan and real estate industries, enabling them to identify investment opportunities and submit them to the Master Fund for consideration. In addition, the principals of the Manager collectively have almost 250 years' experience in originating, sourcing and underwriting Mortgage Loans, and each has comprehensive knowledge and understanding of the mortgage loan and real estate markets, which facilitates the making of prudent investment decisions and the identification of sound investment opportunities. The Master Fund will take advantage of this experience and thereby maintain access to a source of Mortgage Loan investments for which there is limited competition with traditional institutional lenders.

### **Loan Monitoring and Enforcement Activities**

The Master Fund Manager will attempt to minimize the risk of defaulted Mortgage Loans by overseeing the maintenance of active communication with sponsors and guarantors, monitoring the performance of the Mortgage Portfolio and other Authorized Investments, including overseeing the tracking the status of outstanding payments due, grace periods and due dates, and the calculation and assessment of other applicable charges. The Services Agreement requires the Master Fund Manager to make reasonable efforts to collect all payments on account of principal and interest payable on a Mortgage Loan where applicable, to cause the borrower to perform its obligations under the Mortgage Loan and to follow established collection procedures. The Master Fund Manager is required to oversee the monitoring any Mortgage Loan that is in default, evaluate whether the causes of the default will be corrected by the borrower without significant impairment of the value of the related property, oversee the initiation of corrective action and take such other actions as are consistent with established collection procedures. The employees, agents and principals of the Manager have substantial experience in servicing Mortgage Loans, including the institution of enforcement proceedings, and have a history of very low losses on loans which Manager has underwritten and serviced. Manager also has extensive experience in servicing high-yield mortgage loan portfolios as a result of purchasing and restructuring distressed mortgage debt.

The time within which the Manager may make the initial determination of appropriate action, evaluate the appropriate corrective action, if any, develop additional initiatives, or institute enforcement proceedings may vary considerably depending on the particular Mortgage Loan, the Real Property, the borrower, the guarantors, the borrower's circumstances and the presence of an acceptable party to assume the Mortgage Loan. If a borrower or other obligor becomes subject to proceedings under bankruptcy or insolvency laws, the Master Fund may be prevented from accelerating the maturity of a Mortgage Loan, initiating foreclosure proceedings over property or exercising other enforcement proceedings for a period of time.

The Manager, the Master Fund Manager and the Master Fund General Partner will employ the services of, and may enter into joint ventures and/or consulting arrangements with, a broad range of professionals and other parties (receivers, lawyers, developers, property management companies, leasing companies and workout specialists), as well as other extensive industry contacts and relationships in order to assist in the workout and recovery of defaulted Mortgage Loans. The terms of such engagements and joint ventures may provide for monthly fees payable to such providers, as well as incentives and/or profit participation based on the successful execution of such workouts.

### **Non-Performing Mortgage Loans**

The Master Fund General Partner expects that non-performing Mortgage Loans and their resolution will be a normal, ongoing part of the Master Fund's business. The Master Fund's Mortgage Loan pricing will take into account the fact that a certain percentage of Mortgage Loans may have a period of non-performance. While the Master Fund will aim to collect all indebtedness, there are instances where borrowers encounter unforeseen circumstances or are in distressed situations, and the collection and/or timing of interest payments and principal repayments becomes unclear. For these Mortgage Loans, interest accrued into the Master Fund's revenue is discounted, if such Mortgage Loans are partly performing, or eliminated, if such Mortgage Loans are not performing, which could result in a lower return on the Mortgage Loan Portfolio. Historically, some portion of such non-accrued interest is recovered during the collection process and the ultimate resolution of such Mortgage Loans. Actual historical loss experience by the Manager has been low (0.08% on aggregate invested capital of approximately \$1.74 billion, to March 31, 2018).

Resolving non-performing Mortgage Loans to maximize value is typically not a quick process, and takes patience, experience, capital and the absence of pressures created by financial leverage. The Master Fund's business model, lending approach and practices are specifically designed to address these circumstances and manage them to successful outcomes. As such, it will be able to make the best long-term strategic decisions to maximize the value of non-performing Mortgage Loans, as opposed to more expeditious but less optimal courses of action.

The Master Fund may often choose to indirectly take control of, hold and develop a Real Property instead of disposing of it at a value significantly below optimal market prices, in order to maximize potential recoveries.

## **INVESTMENT AND OPERATING POLICIES OF THE MASTER FUND**

### **Investment and Operating Policies**

#### ***Investment Policies***

The Master Fund Manager, the Master Fund General Partner and the Master Fund will adhere to the following policies established by the Master Fund Partnership Agreement, when investing Master Fund capital:

- (a) Master Fund capital may be invested only in Authorized Investments, including participations and co-lending arrangements with third parties or with affiliates and their principals;
- (b) when not invested in Authorized Investments, Master Fund capital will be invested in Authorized Interim Investments;
- (c) at least 80% of the Master Fund's capital will be invested in Mortgage Loans secured by first liens on the applicable property or first-ranking participations or co-lending arrangements;
- (d) Loan to Value ratios – the Master Fund's target loan-to-value ratio for Mortgage Loans is between 60%-70%;
- (e) Title Insurance – absent special circumstances, all Mortgage Loans will be title insured by a reputable title insurance company;
- (f) Insurance – borrowers must adhere to the Master Fund's property insurance requirements, as supplemented by the advice of the Master Fund's insurance consultant, if applicable
- (g) In addition to being secured primarily by liens on real property, Mortgage Loans in which the Master Fund invests will also typically be secured by (i) guarantees from beneficial owners and/or borrower sponsors, with such guarantees further secured by a security interest in the guarantors' assets, (ii) a pledge of the ownership interests of the borrower; (iii) a security interest in the

borrower's assets, (iv) an environmental indemnity from the borrower and guarantors, (v) a specific assignment of material agreements relating to the real property, and (vi) other loan documents standard in the lending market in which the Master Fund operates for the specific type of Mortgage Loan being made; and

- (h) Diversification – absent special circumstances, such as the necessity to protect Master Fund capital or for risk management purposes, no more than 10% of Master Fund capital may be invested in any single Mortgage Loan, or with any single borrower/sponsor.

### ***Operating Policies***

- (a) Master Fund Borrowings – Borrowings will be on commercially reasonable terms and will not exceed 35% of the Mortgage Loan Portfolio cost;
- (b) Investment Approval – Authorized Investments must be approved by the Master Fund General Partner and the Manager; and
- (c) Legal title to Authorized Investments may be held and recorded/registered by a collateral agent in trust for the Master Fund, which agent may be the Master Fund General Partner or a person approved by the Master Fund General Partner, including an Affiliate.

### **Amendments to Investment and Operating Policies**

The investment and/or operating policies of the Master Fund may be amended, supplemented or replaced from time to time by the Master Fund General Partner in its sole discretion without the consent, approval or ratification of the limited partners of the Master Fund or any other person. The Master Fund General Partner may elect, but will not be required, to submit any proposed amendments, supplements or replacements to the investment policies and/or operating policies to the limited partners of the Master Fund for approval. Where the investment and/or operating policies of the Master Fund are amended, supplemented or replaced by the Master Fund General Partner, limited partners of the Master Fund, including the Partnership, will be given written notice of material amendments to the investment policies 30 days prior to the implementation of any such amended investment policies. Notwithstanding anything else to the contrary set out in the Master Fund Partnership Agreement, if at any time a government or regulatory authority having jurisdiction over the Master Fund or any of its property enacts any law, regulation or requirement which is in conflict with any investment or operating policy of the Master Fund then in force, such policy in conflict will, if the Master Fund General Partner so resolves, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary herein contained, any such resolution of the Master Fund General Partner will not require the prior approval of limited partners of the Master Fund or any other person.

### **Mortgage Loan Servicing**

#### ***Manager History with Mortgage Loans***

The Manager has a significant track record of managing investments in Mortgage Loans. Since 2011, the Manager has overseen the investment in 113 Mortgage Loans representing approximately \$1.74 billion of deployed capital, as at March 31, 2018, with a median Mortgage Loan size of approximately \$8,000,000, and an average face interest rate of 11.04%. There have been US\$1.4 million of realized losses to date (0.08% of invested capital). Loan loss reserves are approximately US\$22,364,000 as at March 31, 2018.

#### ***Development and Maintenance of the Mortgage Loan Portfolio***

In the Manager's view, the keys to developing and maintaining a successful Mortgage Loan Portfolio are: (i) prudent loan underwriting; (ii) the ability to source a broad range of Mortgage Loan investment opportunities, thereby allowing the Master Fund to be selective in its choice of investments; and (iii) disciplined monitoring, servicing, collection and enforcement practices. The Master Fund General Partner believes that, because of the experience of the Manager's principals and senior management, the Master Fund will be able to source, originate

and fund Mortgage Loan investments which satisfy the Master Fund's investment criteria and policies because of: (i) the specialized lending structures offered to borrowers; (ii) the reputation, experience and marketing ability of the principals and senior management of the Manager; (iii) the timely credit analysis and decision-making processes followed by the Manager and the Master Fund; and (iv) a lack of significant lenders in the market segments in which the Master Fund invests, resulting from the consolidation in the financial services industry and the migration by the remaining participants in the industry away from the small- and medium-sized Mortgage Loan market in which the Master Fund will operate, due to various regulatory modifications and operating practice changes within financial institutions after the credit crisis of 2007-2009.

### **Key Provisions of the Master Fund Partnership Agreement**

The rights and obligations of the limited partners of the Master Fund are governed by the Master Fund Partnership Agreement. The following is a brief summary of certain provisions of the Master Fund Partnership Agreement, and do not purport to be complete, and is qualified in its entirety by reference to the Master Fund Partnership Agreement itself.

#### ***Term and Master Fund General Partner***

The Master Fund will generally continue indefinitely, subject to the occurrence of a certain limited number of events, including the decision of the Master Fund General Partner to dissolve the Master Fund, or the removal for cause of the Master Fund General Partner without replacement of a successor. The Master Fund General Partner has complete responsibility for the management and control of the business and operations of the Master Fund. The Master Fund General Partner has delegated the responsibility for the oversight of the management of the Master Fund's assets to Master Fund Manager pursuant to the Services Agreement. The Master Fund General Partner generally has unlimited liability for the Master Fund's obligations to third parties not otherwise satisfied by the Master Fund. Limited partners of the Master Fund, including the Partnership, are not liable for the Master Fund's obligations except to the extent of their respective capital accounts and not in excess thereof. Limited partners of the Master Fund, including the Partnership, do not participate in the management or control of the Master Fund's business or affairs. The Master Fund General Partner may resign on notice to the limited partners, but may only be removed for cause, after determination by a court of competent jurisdiction.

#### ***Capital Accounts and Allocations***

The Master Fund will establish a capital account for each limited partner, which will initially consist of a limited partner's initial capital contribution, and will be increased by any additional capital contributions and the allocable share of Master Fund net profits, and decreased by any capital withdrawals, distributions and the allocable share of any net losses. Limited partners of the Master Fund, including the Partnership, are not obligated to make additional capital contributions to the Master Fund. Net profits and net losses of the Master Fund will be allocated to the partners in proportion to each partner's capital account balance for the applicable valuation period, which is typically a calendar month. For accounting purposes, limited partnership interests in the Master Fund will be divided into "units" (with one (1) unit initially representing \$10.00 of limited partnership interest).

#### ***Distribution Policy***

The Master Fund intends to distribute 100% of available cash collected on an ongoing basis, to each limited partner in proportion to their capital accounts. Distributable cash will be distributed to the limited partners on or about the 20<sup>th</sup> of the month following each Valuation Date.

#### ***Designated Investments***

The Master Fund General Partner has the option, in certain circumstances when certain Master Fund investments are rendered illiquid, restricted or difficult to value, to establish a separate series of Master Fund interests in order to separately account for such adversely affected assets from the Master Fund's other assets. These assets are referred to as "**Designated Investments**". A limited partner of the Master Fund, including the Partnership, may not withdraw any part of its capital account attributable to such Designated Investment until the Designated Investment is realized or the Master Fund General Partner determines that such investment need not be treated as a Designated Investment.

### ***Valuations***

The net asset value of the Master Fund will be determined by Master Fund Manager in accordance with IFRS (fair value through profit and loss), and is generally equal to the amount by which the fair market value of the Master Fund's assets exceeds its liabilities.

### ***Withdrawals***

Limited partners in the Master Fund (including the Partnership) may generally withdraw, upon 30 days' notice, all or a portion of the balance in their capital accounts at the redemption date next following such notice. There is a withdrawal charge of 4% for withdrawals within the first year. If total withdrawal requests on any withdrawal date exceed 1% of the Master Fund's net asset value (excluding Designated Investments), the Master Fund General Partner may, in its discretion, limit withdrawals to 1% of net asset value (excluding Designated Investments)(the "**Master Fund Withdrawal Gate**"), provided that this restriction cannot delay a withdrawal request for more than 36 months. Also, the Master Fund General Partner may require a limited partner to withdraw, for any reason, upon 5 days' notice, all or part of its capital account. The Master Fund General Partner may also suspend the determination of net asset value of the Master Fund or suspend or limit withdrawal rights for any and all limited partners upon the occurrence of certain events.

### ***Amendments to Master Fund Partnership Agreement***

The Master Fund Partnership Agreement can be amended by the Master Fund General Partner acting alone, to deal with generally administrative matters, such as reflecting the admission of new limited partners, changing the office location of the Master Fund, correcting ambiguities, conforming with legal requirements, reflecting capital contributions, and to make other changes necessary for the Master Fund's business and not adverse to existing limited partners' interests. The Master Fund Partnership Agreement can be amended by the Master Fund General Partner and limited partners holding a majority of capital account balances to the extent legally permitted, but such amendments cannot adversely affect the rights of a specific limited partner without its consent.

### ***Services Agreement***

Upon the commencement of operations of the Master Fund, it will enter into the Services Agreement with Master Fund Manager for the provision by Master Fund Manager of Mortgage Loan of oversight of the origination and other services to the Master Fund. Master Fund Manager has the exclusive right to oversee the origination, arranging, underwriting, syndication and servicing of all Mortgage Loan investments for the Master Fund, in accordance with the Master Fund's investment and operating policies. The Master Fund Manager will give the Master Fund the first opportunity to invest in Mortgage Loan opportunities that it identifies and reviews. In consideration of its services under the Services Agreement, the Master Fund Manager will be paid a services fee of 1.0% per annum of the outstanding principal balance of the Mortgage Loan Portfolio, plus 1.0% per annum of other non-Mortgage Loan investments beneficially owned, directly or indirectly, by the Master Fund, in each case, calculated daily and paid monthly. Master Fund Manager may waive, reduce or rebate such fee for certain limited partners of the Master Fund. The Master Fund Manager is also entitled to all lender, broker, origination, commitment, renewal, extension, discharge, participation, forbearance, administration and similar fees generated on investments it presents to the Master Fund. Such fees are expected to be in the range of 2-3% of the principal amount of each Mortgage Loan.

### ***Master Fund Expenses***

The Master Fund will pay, whether directly or through reimbursement of the US General Partner or one of its Affiliates, certain costs and expenses related to its establishment and its ongoing investments and its operations. Expenses are generally shared by all of the limited partners of the Master Fund, while expenses related to one or more particular series or classes of Master Fund Units (including with respect to Designated Investments) will be allocated accordingly by the General Partner. Certain costs and expenses of the Master Fund may be borne by the General Partner, the Master Fund Manager and/or their Affiliates in connection with conducting due diligence and

negotiating the terms of Master Fund investments (including investment-related travel expenses) regardless of whether such investments are consummated.

A portion of the Master Fund's operating expenses may be shared with other investment entities managed by the Master Fund Manager, the General Partner or their Affiliates on an equitable basis and the Master Fund may likewise share a portion of the operating expenses of such other investment entities. Organizational costs of the Master Fund and the costs incurred in connection with the initial issuance of Master Fund Units, including legal and accounting fees, document production and printing costs, federal and state filing fees, and other related expenses, will be paid for by the Master Fund.

### ***Administrator***

The General Partner and the Master Fund General Partner may engage administrators from time to time to provide administrative services. At present, they have engaged SS&C Technologies Inc. and SS&C Fund Services (Cayman) Ltd. ("SS&C"), to provide certain loan administration, registrar and transfer agency and accounting services to the Partnership and the Master Fund. The administrator fees will be paid by the applicable partnership.

### ***Master Fund Manager Option to Purchase***

Subject to the consent of an independent client representative to be appointed by the Master Fund, Manager and/or the Master Fund Manager will have the right, at any time, to cause the Master Fund to sell a Mortgage Loan to an Affiliate of the Master Fund Manager (including, without limitation, Manager) for a purchase price equal to the principal amount of such loan plus accrued interest.

## **THE MANAGER**

The Master Fund Manager has engaged the Manager to provide certain services required under the Services Agreement. The Partnership has engaged the Manager to provide certain Capital Raising Services.

### **Mortgage Brokerage and Mortgage Administration**

The Manager has been in the business of originating, underwriting, servicing and syndicating mortgage loans since 1992 and is registered as a mortgage brokerage and mortgage administrator in Ontario and as a mortgage broker in British Columbia and Alberta. The principals of Manager have been active in the industry since 1966. Manager was initially incorporated to acquire a pool of privately-financed Mortgage Loans. Since then, the Manager's principals have continuously provided Mortgage Loans to real estate investors, developers and entrepreneurs.

The Manager's expertise has been built through funding borrowers whose situations are not appropriate for traditional lending institutions or where traditional lending institutions will take too long to process their credit applications. The Manager views its structure and lending guidelines to provide it a with competitive advantage which has enabled it to be a leader in the Mortgage Loan industry in terms of providing timely commitments to finance. The Manager has a reputation for completing transactions in a timely and flexible manner, which has earned it repeat business. The success of the Manager is dependent on its ability to source safe and secure loans. The Manager currently has approximately 50 employees.

The reluctance of large institutional lenders to enter into the niche markets in which the Master Fund invests has made available high-quality investment opportunities in which the Manager has specialized since 1992 and through its predecessors since 1966. Manager is well known in the non-bank real estate lending industry in Canada and the US, and it sources potential transactions principally through a network of licensed mortgage brokerages, repeat borrowers, industry professionals, and its reputation, which the Master Fund's management expects will continue to be enhanced through the activities of the Master Fund.

### **Executive Management**

Members of the executive management team actively involved in the affairs of the Manager and General Partner are as follows:

<b>Name and Municipality of Residence</b>	<b>Position with Manager</b>	<b>Position with General Partner</b>
Mark L. Hilson Toronto, Ontario	Managing General Partner and Director	Director and Chairman
Wesley N. Roitman Toronto, Ontario	Managing General Partner and Director	Director and President
Blake A. Cassidy Toronto, Ontario	Managing Partner and Director	Director and Vice-President

The following are brief biographies of the active members of the Manager's senior management, including the nature and extent of their experience in the mortgage lending and real estate industries and their principal occupations during the last 5 years.

#### **Mark L. Hilson**

Mr. Hilson is a Managing General Partner of the Manager where he has been employed since 2008 and oversees the Manager's overall operation and performance.

Previously, he worked at Onex Corporation for 22 years where he was a Managing Director. Prior to joining Onex, he was an Associate in the Mergers and Acquisitions Group at Merrill Lynch and a Brand Manager at Procter & Gamble. Mr. Hilson has an MBA (George F. Baker Scholar) from the Harvard Graduate School of Business Administration and an Honours Bachelor of Business Administration (Gold Medalist) from Wilfrid Laurier University.

#### **Wesley N. Roitman**

Mr. Roitman is a Managing General Partner of the Manager where he has been employed since 2004 and oversees the Manager's overall operation and performance.

Previously, he was General Partner of St. Aubyn's Partnership and prior to this he was Executive Vice President and Chief Operating Officer of Northern Financial Corporation. From 1996 to 1999 Mr. Roitman was Chief Financial Officer of PSINet Limited, a large NASDAQ listed international internet service provider.

Mr. Roitman has a Bachelor of Science in Mathematics and Actuarial Science from the University of Toronto.

#### **Blake A. Cassidy**

Blake Cassidy is a Managing Partner of Romspen Investment Corporation and is responsible for mortgage origination. As head of business development, he is focused on new business opportunities, products and services and managing the relationships within the brokerage and lending community.

Prior to joining Romspen in 1995, Blake gained experience in the real estate industry at New Era Mortgage Corporation and Sandray Property Management. Blake has a Bachelor of Science degree from the University of Toronto.



## **LICENSING AND LEGISLATIVE REGIME**

### **Mortgage Brokerage and Administration**

In Ontario, the MBLAA requires all individuals and businesses who conduct mortgage brokering activities to be licenced with the Financial Services Commission of Ontario, the government agency responsible for overseeing the mortgage brokering industry in Ontario. Under the MBLAA, a Person engaged in mortgage lending, as well as dealing in, trading in, or administering mortgages, unless exempted, must generally be licenced.

As none of the Partnership, the General Partner, the Master Fund or the Master Fund Manager is or will be licensed under the MBLAA, any activities which require licencing are undertaken by the Manager, a licensed mortgage brokerage and mortgage administrator in Ontario.

The Master Fund's focus is on Commercial Mortgage Loans. None of the Manager, the Master Fund, or the Master Fund Manager is currently licensed or registered as a residential mortgage banker or residential mortgage broker in any U.S. jurisdiction and currently has no intention of engaging in any activities which would require such licenses or registrations.

### **Securities Activities**

The Manager is registered as an exempt market dealer under NI 31-103 in certain of the Offering Jurisdictions. As mandated by NI 31-103, certain employees of Manager maintain the required proficiency requirements and Manager meets the stipulated working capital and insurance requirements for exempt market dealers. Manager, in its capacity as an exempt market dealer, performs dealer and ongoing administrative services for the Partnership pursuant to the Capital Raising Agreement. See Conflicts of Interest.

The Master Fund is engaged in mortgage lending as its primary activity. Applying the criteria set out in *CSA Staff Notice 31-323 - Guidance Relating to the Registration of Mortgage Investment Entities* (the "**Staff Notice**") to the activities of the Partnership and the Master Fund, it has been determined that the Partnership is a Pooled MIE (as such term is defined in the Staff Notice) and therefore not an investment fund. Consequently, the Manager has not sought registration as an investment fund manager or as an advisor in connection with the services it provides to the Partnership, the Master Fund Manager and the Master Fund.

## **MANAGEMENT OF THE PARTNERSHIP**

The Partnership is under the general control and direction of the General Partner, including the day-to-day operations of the Partnership, but capital raising activities of the Partnership are carried out by the Manager under the Capital Raising Agreement. The directors of the General Partner are Mark Hilson, Wesley Roitman, Blake Cassidy, each an individual resident in the Province of Ontario and directors and employees of the Manager.

The Manager has entered into the Capital Raising Agreement with the Partnership and is entitled to earn a fee for providing capital raising services to the Partnership. The Manager must render its services honestly, diligently and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities. The Manager, its directors, officers and their respective Affiliates may, from time to time, engage in other business activities, including business activities which may compete directly or indirectly with the Partnership. See Capital Raising Agreement and Conflicts of Interest.

Although none of the directors or officers of the General Partner or the Manager will devote all of his or her full time to the business and affairs of the General Partner and the Partnership, each will devote as much time as is necessary to supervise the management of, and to manage or to advise on the business and affairs of, the Partnership and its business, or in the case of the Manager, to provide the services contemplated under the Capital Raising Agreement. Whenever a conflict of interest arises between the Partnership, on the one hand, and the Manager on the other hand, the parties involved in resolving that conflict or determining any action to be taken or not taken will be entitled to consider the relative interests of all of the parties involved in the conflict or that will be affected by such action, any customary or accepted industry practices, and such other matters as the parties deem appropriate in the circumstances. See Conflicts of Interest.

## **PARTNERSHIP AGREEMENT**

**Units are subject to the terms and conditions of the Partnership Agreement. The statements in this Offering Memorandum concerning the Partnership Agreement are intended to be only a summary of the provisions of the Partnership Agreement and do not purport to be complete. A copy of the Partnership Agreement will be provided to each Unitholder upon a request in writing for same being made to the General Partner. All capitalized terms in this section not otherwise defined herein shall have the meaning as set out in the Partnership Agreement.**

### **Introduction**

A subscriber for Units will become a Unitholder upon acceptance by the General Partner of the subscription and the recording of the subscriber as a Unitholder in the Register. The rights and obligations of the Unitholders and the General Partner under the Partnership Agreement are governed by the laws of the Province of Ontario.

### **Functions and Powers of the General Partner**

The General Partner has the exclusive authority to manage and control the operations of the Partnership, and shall do or cause to be done in prudent and reasonable manner any and all acts necessary, appropriate or incidental to the Partnership's business. The General Partner shall have all the rights and powers which may be possessed by a general partner of a limited partnership pursuant to the laws of the Province of Ontario. The General Partner will exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Unitholders, exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances, and will devote such of its time and attention as may be necessary to properly manage the operations and affairs of the Partnership in the best interest and for the joint advantage and profit of the Unitholders. The General Partner may delegate any of its rights and powers and a delegate, including, without limitation, the Manager, may perform certain of the General Partner's duties and incur expenses on behalf of the Partnership. However, no such delegation shall relieve the General Partner from its duties or responsibilities under the Partnership Agreement. The remuneration of such delegates is determined by the General Partner and may be paid directly by the Partnership or General Partner.

The Partnership will exculpate the General Partner (and its directors, officers, shareholders, employees and agents) from any liability as long as such party is not adjudged to have acted in a fraudulent or grossly negligent manner in respect of the standard of care expected of a reasonably prudent general partner in similar circumstances. The Partnership will indemnify and hold harmless the General Partner and its directors, officers, shareholders, employees and agents from and against any losses, costs, expenses, liabilities and damages (including reasonable legal fees) incurred by them by reason of acts, omissions or alleged acts or omissions arising out of any of their activities on behalf of the Partnership or in furtherance of the interest of the Partnership or of the its business, other than those attributable to fraud or gross negligence as determined in a final adjudication by a court.

### **Fees and Expenses**

The General Partner or the Manager may incur obligations, expend sums and take any actions deemed necessary to conduct the Partnership's business or operations or to protect the Partnership's assets, including selecting and engaging lawyers, accountants, auditors, administrators, investment dealers or such other Persons on such terms and for such compensation as the General Partner may deem necessary or advisable, and incurring such other capital, operating, financing or other expenses on behalf of the Partnership as the General Partner may, in its discretion, deem necessary or appropriate for the conduct of Partnership affairs. The Partnership will reimburse the General Partner or one of its Affiliates (including the Manager) for all such expenses.

### **Liability of Unitholders**

Under the laws of the Offering Jurisdictions in which Units are being offered, a limited partner of a limited partnership organized under the laws of the Province of Ontario generally will not be liable, subject to certain exceptions, for the obligations of the limited partnership except in respect of the amount of property that such limited partner contributes or agrees to contribute to the capital of the partnership. A limited partner may not have such limited liability: (i) if it is also a general partner of the limited partnership; (ii) if it takes part in the

management of the business of the limited partnership; (iii) if a certificate of the limited partnership contains a false statement which is relied upon by a person suffering a loss and such limited partner became aware that the statement was false or misleading and failed within a reasonable time to take steps to have the record of limited partners corrected, or where the limited partner signed the certificate or declaration or later became aware of its falsehood and did not amend the certificate or declaration within a reasonable time; and (iv) if the limited partnership fails to comply with the formal requirements of applicable limited partnership legislation. As well, a limited partner may not have such limited liability where a limited partner holds, as trustee for the limited partnership, specific property stated in the certificate or record of limited partnership as contributed by such limited partner, but which has not in fact been contributed or which has been wrongfully returned and money or other property wrongfully paid or conveyed to it on account of its contribution. Where a limited partner has rightfully received the return, in whole or in part, of its capital contribution, the limited partner is nevertheless liable to the limited partnership for any sum, not in excess of that returned with interest, necessary to discharge the limited partnership's liabilities to all creditors who extended credit or whose claims arose before such return.

For certain regulatory purposes, the Partnership may be considered to be carrying on business in certain Offering Jurisdictions by virtue of this offering being made therein and the trading activities of the Partnership. The Partnership will register as an extra-jurisdictional limited partnership in those Offering Jurisdictions where the Partnership is advised that it will be carrying on business by virtue of this Offering or otherwise and where there is provision for registration as an extra-jurisdictional limited partnership. However, there is a risk that Unitholders may not be afforded limited liability in such Offering Jurisdictions to the extent that principles of conflicts of law recognizing the limitation of liability of limited partners have not been authoritatively established with respect to limited partnerships formed under the laws of one jurisdiction but carrying on business, owning property or incurring obligations in another jurisdiction. The General Partner is responsible for maintaining the registration of the Partnership as an extra-jurisdictional limited partnership in any such Offering Jurisdiction.

### **Units**

Each Unit represents an undivided interest in the capital of the Partnership. The Partnership is authorized to issue an unlimited number of Units. The General Partner may create and name (or rename) from time to time one or more classes of Units, which may have different features than other classes of Units, as the General Partner may determine, and may designate one or more series of Units within such class. At present, there is only one class of Units. The General Partner may consolidate or subdivide the Units from time to time in such manner as it considers appropriate. Fractional Units may be issued up to 3 decimal places. 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.

General Partner shall not subscribe for or otherwise acquire any Units and the General Partner shall have no obligation to further contribute to the capital of the Partnership.

Each Unit of a particular class shall be equal to each other Unit of the same class with respect to all matters, including the right to vote, receive allocations and distributions from the Partnership, liquidation and other events in connection with the Partnership. No Unit shall have any preference, conversion, exchange, pre-emptive or redemption rights in any circumstances over any other Unit (except as specifically provided in the Partnership Agreement). Each Unitholder shall be entitled to one vote for each whole Unit held in respect of all matters to be decided upon by the Unitholders. Units represent the right of Unitholders to participate in the net income or net losses of the Partnership. Title to Units is conclusively evidenced by the Register maintained by or on behalf of the General Partner. Certificates for Units will generally not be issued.

### **Allocations and Distributions**

#### ***Allocations***

Net income of the Partnership for any financial year will be allocated 0.001% to the General Partner and 99.999% to the Unitholders in proportion to net income actually distributed to Unitholders in that year. Net loss for the Partnership for any financial year will be allocated to reflect the substantial economic entitlements of the Unitholders. Absent error, the General Partner's determination of net income and net loss, as verified by the Partnership's accountants, will be binding on Unitholders.

Income or loss for tax purposes will be allocated in the same manner as net income and net loss to the maximum extent possible. The General Partner may, acting reasonably, adjust the amount of net income or net loss allocated, including income or loss for tax purposes, to the extent it determines that such adjusted amounts better reflect the substantive economic entitlements of Unitholders.

Where in the course of any fiscal year Units are redeemed by one or more Unitholders or acquired from the Partnership, the General Partner may, but is not required to, adopt an allocation policy intended to allocate income and loss for tax purposes in such manner as to account for Units which are purchased or redeemed throughout such fiscal year. A Unitholder who is considering disposing of Units during a fiscal year of the Partnership should obtain specific tax advice.

#### ***Distribution Policy***

Distributable Cash for any period may be distributed in whole or in part from time to time or at any time in the sole discretion of the General Partner. However, the Partnership intends to distribute, on a monthly basis, Distributable Cash allocated to Unitholders approximately 20 days after the immediately preceding Valuation Date. No payment may be made to a Unitholder from the assets of the Partnership if the payment would reduce the assets of the Partnership to an insufficient amount to discharge the liabilities of the Partnership to Persons who are not the General Partner or a Unitholder.

#### ***Distribution Reinvestment Plan***

The Partnership has adopted a reinvestment plan which will provide that a Unitholder may elect to reinvest all or a portion (subject to administrative system capability) of distributions paid on the Units held by such Unitholder in additional Units of the same class. Unitholders who wish to reinvest distributions should contact the General Partner or their Representative for details as to enrolment.

#### ***Overpayment of Distribution***

If the General Partner determines that the Partnership has paid to any Unitholder a distribution greater to which it is entitled, such Unitholder must forthwith reimburse the Partnership to the extent of such excess within 15 days after notice by the General Partner. The Unitholder will be liable for interest on the excess amount paid at a rate per annum equal to the prime commercial lending rate of the Partnership's bankers from the date of receipt by it of such notice to the date of refund of the excess amount if payment of such excess amount is not made by the Unitholder within 15 days. The General Partner may set off and apply any sums otherwise payable to a Unitholder against such amounts due from such Unitholder, provided that there shall be no right of set off against a Unitholder in respect of amounts owed to the Partnership by a predecessor of such Unitholder.

#### ***Calculation of Net Asset Value***

As at each Valuation Date, the General Partner, in consultation with the Partnership's accountant, the Manager and such Persons as it may engage, will set the Net Asset Value of the Partnership, generally within 20 days after such Valuation Date. The Net Asset Value of the Partnership on any Valuation Date means the market value of the Partnership's assets less an amount equal to its liabilities (including Reserves and Expenses). The Net Asset Value for a particular class or series of Units shall be calculated by subtracting from that class' or series' proportionate share of the assets of the Partnership the liabilities attributable to that class or series. To arrive at the Net Asset Value per Unit for a particular class or series, the Net Asset Value of that class or series of Units is divided by the number of outstanding Units of that class or series. The Net Asset Value of the Partnership and the Net Asset Value per Unit on the first Business Day following a Valuation Date are deemed to be equal to the Net Asset Value of the Partnership (or per Unit, as the case may be) on such Valuation Date after payment of all fees and after processing of all subscriptions and redemptions of Units in respect of such Valuation Date. The rules to be applied by the General Partner in determining the Net Asset Value of the Partnership are set out in the Partnership Agreement. The General Partner may determine such other rules as are deemed necessary from time to time. The Net Asset Value of the Partnership and Net Asset Value per Unit established by the General Partner in accordance with the provisions of the Partnership Agreement will be conclusive and binding on all Partners.

## **Redemption of Units**

### ***General***

Subject to the Master Fund Withdrawal Gate, a Unitholder may generally redeem all or a portion of its Units as of the end of each month (together with such other redemption date as may be permitted by the General Partner in its sole discretion, a “**Redemption Date**”). If such Redemption Date occurs prior to the last calendar day of the 12<sup>th</sup> calendar month following the date on which such Units were subscribed for, the proceeds in respect of any such redemption will be subject to a redemption charge equal to 4% of the amount permitted to be redeemed (the “**Redemption Charge**”). Any Redemption Charge will be credited *pro rata* to all remaining Unitholders and included in the next calculation of the Partnership’s Net Asset Value.

Each subscription for Units made by a Unitholder will be treated separately solely for purposes of determining the application of the Redemption Charge. For the purposes of tracking such redemptions and determining the applicable amount of such reduction, each additional purchase of Units by a Unitholder will be deemed to be credited to a separate capital account. Redemptions by Unitholders with more than one notional capital account will be made on a “first-in-first-out” basis. Requests for redemptions must be provided by the Unitholder or its Representative (if a Unitholder originally subscribed for Units through FundSERV, notice must be sent through the Unitholder’s Representative) to the General Partner in writing on a form prescribed by the General Partner (a “**Redemption Request**”) at least 30 days prior to the requested Redemption Date, stating the Unitholder’s intention to redeem and the amount of such redemption, if less than all of Unitholder’s Units, accompanied by any evidence that the General Partner may reasonably require with respect to the identity, capacity or authority of the person giving the notice. Redemption Requests will be irrevocable unless otherwise determined by the General Partner, in its discretion.

A Redemption Request is not effective until it has actually been received on a timely basis and the receipt has been acknowledged by the General Partner. Failure to obtain such written confirmation will render redemption instructions void. A Unitholder who has purchased Units through FundSERV should obtain further information from their Representative to determine the timing and other procedural requirements of such Representative in connection with the redemption of Units.

The General Partner, in its sole discretion, may permit redemptions at other times or otherwise modify or waive such redemption conditions and requirements, including any notice period and/or the Redemption Charge at any time without notice to or the consent of Unitholders.

Unitholders generally will receive the proceeds from any redemption (less any applicable Capital Raising Fee, Redemption Charge, holdbacks for reserves and/or actual or estimated Partnership’s share of expenses incurred by the Master Fund in connection with the disposition of any of its investments required to fund such redemption) plus the pro rata share of any unpaid distributions which have been declared payable to Unitholders but remain unpaid as at the Redemption Date to the extent not included in the Net Asset Value per Unit of the Unit(s) to be redeemed within 30 days of the applicable Redemption Date. Calculation and payment of redemption proceeds will be made on the basis of the unaudited Net Asset Value of the Partnership. Once paid, no revision to a Unitholder’s redemption proceeds will be made based upon audit adjustments. Thus, the Partnership will not seek reimbursement in the event of any overpayment and will not pay additional amounts in the event of an underpayment.

Subject to the provisions set out in the following paragraphs, the Unit Redemption Price payable in respect of Unit(s) tendered for redemption will be paid using the FundSERV network, if the Units were originally purchased through FundSERV, or deposited to the account of the Unitholder of the Unit tendered for redemption, or payable or deposited to the Unitholder’s Representative or as otherwise instructed in writing by the Unitholder.

The entire amount payable for Units redeemed shall be based on the determination of the Net Asset Value of the Partnership on the applicable Redemption Date and such Units shall be deemed to have been redeemed from the Partnership on such Redemption Date. Accordingly, the effective date of such Unitholder’s redemption shall be deemed to be the Redemption Date.

If a Unitholder withdraws all or some of its Units prior to the end of the period during which the Partnership is amortizing expenses, the General Partner may, but is not required to, accelerate a proportionate share of the unamortized expenses based upon the amount being redeemed and reduce redemption proceeds by the amount of such accelerated expenses.

#### ***Master Fund Withdrawal Gate***

The Master Fund Withdrawal Gate (see Investment and Operating Policies of the Master Fund – Key Provisions of the Master Fund Partnership Agreement – Withdrawals by Unitholders) may limit redemptions by the Partnership. If Redemption Requests are received by the Partnership for any Redemption Date in an aggregate amount that exceeds the Master Fund Withdrawal Gate (or, if there are withdrawal requests from the Master Fund's other limited partners, the Partnership's pro rata share of the Master Fund Withdrawal Gate), the General Partner shall, subject to the discretion of the Master Fund General Partner to allow withdrawals by the Partnership resulting in aggregate withdrawals from the Master Fund exceeding the Master Fund Withdrawal Gate, limit redemptions to the Master Fund Withdrawal Gate or the Partnership's pro rata share of the Master Fund Withdrawal Gate, as the case may be, as of the end of such Redemption Date. In such event, redemptions by each Unitholder making a redemption as of such date (on a pro rata basis with each other withdrawing Unitholder) will be limited on a corresponding basis. If the General Partner is unable to satisfy redemption requests due to the Master Fund Withdrawal Gate, the amount redeemed by each requesting Unitholder will be reduced pro rata based on the amount that would have otherwise been redeemed. Any amount that a Unitholder is not permitted to redeem as of the end of such Redemption Date may be redeemed as of the end of the next succeeding calendar month and shall be subject to the Master Fund Withdrawal Gate and shall have no priority over redemption requests initially made for each such Redemption Date. The Redemption Gate shall not delay the redemption of any amount (excluding any amounts attributable to Designated Investments) for more than 36 months after the date on which such redemption request would have been effective in the absence of this limitation. Unsatisfied redemption requests resulting from the foregoing restrictions shall remain at the risk of the Partnership's business until the actual effective date of the redemption.

The General Partner may, in its discretion, fulfill redemption requests that remain unsatisfied following a Redemption Date at earlier times than those provided in the immediately preceding paragraphs and in priority to later requests. The General Partner may, in its sole discretion, authorize a larger aggregate redemption payment on a particular Redemption Date, provided such payment does not in any way prejudice the operation and management of the Partnership.

Additionally, the General Partner may be unable to fulfill redemption requests in certain circumstances where the Master Fund General Partner has suspended the determination of net asset value of the Master Fund or suspended or limited withdrawal rights for any and all limited partners upon the occurrence of certain events. See Key Provisions of the Master Fund Partnership Agreement – Withdrawals.

#### ***Suspension of Redemptions***

The General Partner, by written notice to the Unitholders, may suspend the determination of Net Asset Value of the Partnership and/or suspend or limit the right of any Unitholder to redeem the balance of a Unitholder's Units, including the payment of redemption proceeds, in whole or in part, (i) during the existence of any state of affairs as a result of which, in the opinion of the General Partner, disposal of investments by the Partnership or the determination of its Net Asset Value, would not be reasonably practicable or would be seriously prejudicial to the non-withdrawing Unitholders, (ii) during any breakdown in the means of communication normally employed in determining the price or value of the Partnership's assets or liabilities, or when for any other reason the prices or values of any assets or liabilities of the Partnership cannot reasonably be promptly and accurately ascertained, or (iii) during any period when the transfer of funds involved in the realization or acquisition of any investments cannot, in the opinion of the General Partner, be effected at normal rates of exchange. Upon the determination by the General Partner that any of the above mentioned conditions no longer applies, the calculation of the Net Asset Value of the Partnership and redemption rights shall be promptly reinstated, and any pending redemption requests shall be honored as of such date as is reasonably practicable as determined by the General Partner. In addition, the General Partner, by written notice to any Unitholder, may suspend payment of redemption proceeds to such Unitholder if the General Partner deems it necessary to do so to comply with anti-money laundering laws and

regulations and other Applicable Laws applicable to the Partnership, the General Partner, the Manager or their Affiliates, subsidiaries or associates or any of the Partnership's other service providers.

***Compulsory Redemption/Redemptions at the Option of the General Partner***

The General Partner may require any Limited Partner to withdraw all or any part of the balance in its capital accounts for any reason, at any time upon five (5) days prior written notice. Payment shall be made in accordance with the procedure applicable to voluntary withdrawal requests.

**Transfers of Units**

A Unitholder may only sell, transfer or otherwise dispose of any Unit with the prior written consent of the General Partner and subject to such reasonable conditions as the General Partner may choose to impose. Units acquired by Persons other than with the consent of the General Partner are not entitled to vote and are subject to redemption by the Partnership at the then applicable Net Asset Value per Unit. In the case of a transfer of a Unit by operation of law, in addition to requirements established by the General Partner, the Person will not become a Unitholder until the Person:

- (a) produces evidence satisfactory to the General Partner of such entitlement;
- (b) has agreed in writing to be bound by the terms of the Partnership Agreement; and
- (c) has delivered such other evidence, approvals and consents in respect of such entitlement as the General Partner may require and as may be required by law or by the Partnership Agreement.

**Meetings**

The General Partner may at any time convene a meeting of the Unitholders and will be required to convene a meeting on receipt of a request in writing of Unitholders holding not less than 50% of the Units then outstanding. Each Unitholder is entitled to one vote for each whole Unit held. Only Unitholders of record on the date of the meeting shall be entitled to vote at such meeting. The approval of Unitholders on any matter shall be given by an Ordinary Resolution, except for those matters which require approval by Special Resolution. A quorum for the transaction of business at a meeting of Unitholders shall consist of Unitholders present in person or represented by proxy holding in total Units having an aggregate Net Asset Value of not less than 15% of the outstanding Units of the Partnership. If a quorum is not present at a meeting within one (1) hour after the time fixed for the meeting, the meeting shall be adjourned and held on a date fixed by the chairman of the meeting, which date shall be not later than 21 days thereafter. At any adjourned meeting, all Unitholders entitled to vote at the meeting and present in person or represented by proxy shall constitute a quorum.

**Amendments**

Except as described herein, the Partnership Agreement may only be amended with the consent of the General Partner and with the consent of the Unitholders given by Special Resolution. However, no amendment can be made to the Partnership Agreement which would have the effect of reducing the General Partner's powers without its consent, changing the respective liabilities of the General Partner and the Unitholders, reducing a capital account of any Unitholder or impairing redemption rights, or changing the ability of the General Partner to dispose of all of the Partnership's assets.

The General Partner may make certain amendments from time to time to the Partnership Agreement without prior notice to, or the consent from, the Unitholders for the purpose of amending or adding any provisions which, in the opinion of legal counsel to the Partnership, are for the protection or benefit of the Unitholders or the Partnership, to cure any ambiguity or clerical error, to reflect changes to any Applicable Law, to reflect the addition, withdrawals or transfer of Unitholders, or in any other manner, provided that the interests of Unitholders are not adversely affected. The General Partner will notify Unitholders of material amendments within 30 days of their effective date.

### **Power of Attorney**

The Partnership Agreement contains an irrevocable appointment by each Unitholder of the General Partner as its attorney, authorizing the General Partner, on behalf of each Unitholder, to: execute the Partnership Agreement and any amendments, instruments necessary to reflect the dissolution and termination of the Partnership or the admission of new Unitholders; execute and file all documents with any governmental authority; provide information to fiscal authorities and make elections under Applicable Laws; where appropriate, negotiate and execute agreements in the name of Unitholders required by any person with security over the Partnership's assets; and execute such other documents in the name of the Partnership as may be necessary to carry out the provisions of the Partnership Agreement. Unitholders will, on request, be required to execute certificates or other documents necessary to comply with Applicable Law.

### **Dissolution and Liquidation**

The Partnership will be dissolved on the earlier of: (i) a date fixed by Special Resolution, but not if the Master Fund is still in existence; (ii) 30 days after the sale and distribution of all of the Partnership's property; or (iii) the date of any event which would make it unlawful for the Partnership to continue its business. The Partnership will not terminate or dissolve as a result of: the death, incompetence or bankruptcy of any Unitholder; or the bankruptcy, dissolution, liquidation or winding-up of the General Partner. On dissolution or termination, the Partnership's assets will be sold or distributed in kind (in the General Partner's discretion) and used to pay all of the Partnership's debts to third parties, then to pay all of the Partnership's debts or liabilities to Unitholders, and then, after the establishment of any Reserves by the General Partner, to Unitholders as a return of their capital contributions. Unitholders will have no recourse against the General Partner if the Partnership's property is insufficient to return to Unitholder's all or any part of their Capital Contributions.

### **Replacement of General Partner**

The General Partner may not be removed as the general partner of the Partnership, unless it is conclusively established that it has acted in a fraudulent fashion toward the Partnership. The shareholder of the General Partner may freely transfer shares in the capital of the General Partner to an Affiliate of such shareholder.

The General Partner is deemed to resign in the event of the bankruptcy, insolvency, dissolution, liquidation or winding up of the General Partner, or on the commencement of such proceedings against it which are not being opposed by it, or upon the appointment of a trustee, receiver or receiver manager of the affairs of the General Partner, but such resignation shall not be effective and the General Partner shall not cease to be the general partner of the Partnership until the admission of a new general partner to the Partnership by Special Resolution. Except in the case of the removal of the General Partner for fraud, the new general partner shall deliver a release of the former general partner wherein the Partnership and the Unitholders release and hold harmless the former general partner from all claims relating to events occurring in after the effective date of removal or resignation of the former general partner.

### **Books, Records and Financial Information of the Partnership**

The General Partner is required to maintain complete and adequate books and records of the Partnership and a copy of the Register at its principal office, subject to Applicable Laws. The General Partner shall appoint an independent and qualified, firm of chartered professional accountants to act as the accountants or auditors of the Partnership and to review and report to the Unitholders with respect to the financial statements of the Partnership as at the end of, and for, each fiscal year. The initial accountants or auditors of the Partnership are KPMG LLP. The General Partner may, from time to time, in its sole discretion, change the accountants or auditors of the Partnership.

The General Partner is authorized to establish, from time to time, accounting policies with respect to the financial statements of the Partnership and to change, from time to time, any policy that has been so established, provided that such policies are consistent with the provisions of the Partnership Agreement.



## **Reports**

The General Partner will forward to each Unitholder an annual report for the fiscal year immediately preceding such year consisting of:

- (a) audited annual financial statements of the Partnership, with a report of the accountants or auditors; and
- (b) tax information to enable each Unitholder or former Unitholder to properly complete and file its tax returns in Canada in relation to their investment in Units.

The General Partner will forward to each Unitholder, upon request, quarterly unaudited financial statements of the Partnership as at and for the 3 months then ended (commencing with the first full calendar quarter of Partnership operations), as the General Partner deems relevant and as may be required by Applicable Law. The General Partner will make available monthly information respecting the Net Asset Value of the Partnership approximately 20 days after each Valuation Date.

The General Partner will act as, or cause to be appointed, the registrar and transfer agent of the Units, who will maintain the Register. The Register and any other documents required to be kept by a registrar and transfer agent under the Act will be kept at its principal offices. Records relating to Unitholders are available for inspection by any Unitholder or its agent during normal business hours and upon reasonable notice.

## **Prohibited Unitholders**

Each Unitholder will agree to provide the General Partner with such documentation or evidence required to establish their status and residence, and will represent that it is not: a “non-resident”; a partnership other than a “Canadian partnership”; a “tax shelter” or a “tax shelter investment”; or a Person an interest in which is a “tax shelter investment” or in which a “tax shelter investment” has an interest, each within the meaning of the Tax Act; or a partnership which does not have a prohibition against investment by such Persons. Each Unitholder will indemnify the Partnership and each other Unitholder for liabilities arising out of a breach of such representations, and the General Partner may redeem the Units of a Unitholder that does not provide such evidence. Any Unitholder whose status changes with respect to such representations is deemed to have ceased to be a Unitholder immediately prior to the date on which such status changes and shall thereafter only be entitled to receive from the Partnership an amount equal to the Net Asset Value of such Unitholder’s Units as at the date on which it ceases to be a Unitholder less all such deductions that would be applicable in the case of a voluntarily redemption of Units.

Additionally, a Unitholder that is or becomes a “financial institution” (was defined in the Tax Act) must disclose this fact to the General Partner, and the General Partner may restrict the participation of any such Unitholder or require any such Unitholder at any time to redeem all or some of its Units. A Unitholder that fails to identify itself as a financial institution shall indemnify and hold harmless the Partnership and each other Unitholder for any liabilities that result from or arise out of such failure. Any Unitholder that is or becomes a financial institution after becoming a Unitholder shall be deemed to have, immediately prior to the date on which it becomes a financial institution (or the date of issue of Units to such financial institution, whichever is later), redeemed some or all of such Units to the extent necessary to result in financial institutions owning in the aggregate Units having a Net Asset Value that is less than one-half of the Net Asset Value of all of the Units, and shall be entitled to receive from the Partnership as redemption proceeds an amount equal to the lesser of the Net Asset Value of such redeemed Units as at the date on which it is deemed to have redeemed such Units and the Net Asset Value of such Units as at the date the General Partner learns that such Limited Partner is a financial institution (less all applicable deductions from redemption proceeds) as if such Limited Partner voluntarily redeemed its Units.

## **CAPITAL RAISING AGREEMENT**

The statements in this Offering Memorandum concerning the Capital Raising Agreement are intended to be only a summary of the provisions of such agreement and do not purport to be complete. A copy of the Capital Raising Agreement will be provided to each prospective purchaser on request in writing to the Manager. All capitalized

terms in this section not otherwise defined herein shall have the meaning as set out in the Capital Raising Agreement.

### **Capital Raising Services**

Subject to the overriding authority of the General Partner over the management and affairs of the Partnership, the General Partner has engaged the Manager to perform various activities (see Licensing and Legislative Regime – Securities Activities) for the Partnership, including, without limitation:

- undertaking all activities necessary for the Partnership to complete each tranche of funding or capital raising in compliance with applicable Canadian securities laws including preparation of all required disclosure documents, vetting of Subscribers investing through the Manager, liaising with Representatives and coordinating with FundSERV regarding the vetting and investment of Subscribers other than through Manager, completing the Closing of each tranche of issuance of Units and generally acting as the primary intermediary in dealings between investors and the Partnership for the purpose of effecting investments in the Partnership;
- providing advice on the structuring of each tranche of capital raising requested by the Partnership;
- providing assistance on behalf of the Partnership in connection with the Partnership's dealings with Representatives, sub-agents, institutions and investors regarding sales of securities of the Partnership, if applicable;
- conducting relations on behalf of the Partnership with other persons, including dealers, brokers, consultants, lenders, accountants, lawyers, appraisers, insurers and insurance agents to ensure that all disclosure documents utilized by the Partnership do not contain any misrepresentations;
- preparing periodic reports and other information required to be sent to Unitholders and ensuring that all calculations and determinations of all allocations, designations and elections are made in connection with the income and capital gains of the Partnership for tax and accounting purposes; and
- administering, or engaging sub-administrators to administer, the payment of distributions from the Partnership and supervising the processing and registration of subscriptions for and redemption of Units.

### **Capital Raising Fees**

In consideration of the performance of the Capital Raising Services, the Manager is entitled to a fee (the “**Capital Raising Fee**”) in an amount equal to 0.250% per annum of the value of the assets beneficially owned or held directly or indirectly by the Partnership, calculated daily, aggregated and paid in monthly installments on the last day of each month. The Capital Raising Fee for any partial month will be prorated based upon the number of days in such month in respect of which the Capital Raising Fee is being paid.

### **Liability and Indemnity**

The Manager will only be liable to the Partnership for acts constituting bad faith, willful misconduct or gross negligence in respect of its duties. The Partnership will indemnify the Manager from liabilities in connection with Manager's actions or omissions under the Capital Raising Agreement, provided that such action or omission is taken, or not taken, in good faith and without willful misconduct or gross negligence or is taken pursuant to and is in compliance with the Capital Raising Agreement.

### **Term and Termination**

The Capital Raising Agreement is terminable by the Partnership on 12 months' notice or at any time upon the occurrence of an Event of Termination on the part of the Manager as set out in the Capital Raising Agreement. The Capital Raising Agreement is terminable by the Manager with reference to Capital Raising Services provided to the

Partnership, as the case may be, at any time upon the occurrence of an Event of Termination on the part of the Partnership, or upon 6 months' prior written notice to the General Partner.

Upon the termination of the Capital Raising Agreement by the Partnership (other than for cause or following the notice period set out in the agreement) or upon termination by the Manager upon the occurrence of an Event of Termination, the Partnership will generally pay the Manager a termination payment equal to 0.25% of the Partnership's assets in addition to any other amounts which are due and owing by the Partnership.

## **MATERIAL AGREEMENTS**

The following is a list of the material agreements, other than contracts entered into in the ordinary course of business, entered into by the Partnership:

- Partnership Agreement;
- Capital Raising Agreement;
- Master Fund Partnership Agreement; and
- Services Agreement

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable, as of the date of this Offering Memorandum, to a Unitholder who acquires Units pursuant to the Offering. This summary is applicable only to a person who subscribes, as principal, for Units in the Partnership pursuant to the terms of this Offering Memorandum and who, for purposes of the Tax Act and at all relevant times, is a resident of Canada, deals at arm's length with the General Partner, the Partnership and the Manager, is not affiliated with the General Partner, the Partnership and the Manager, and holds Units in the Partnership as capital property (a "**Holder**"). Units will generally be considered to be capital property to a Holder, provided that the Holder does not hold the Units in the course of carrying on a business and has not acquired the Units in one or more transactions considered to be an adventure or concern in the nature of trade. The Units are to be acquired by the acquisition of subscription receipts which will be automatically converted into Units once the Net Asset Value for the relevant Valuation Date is determined. The acquisition of Units on conversion of the subscription receipts should not be a disposition giving rise to a gain or loss. This summary therefore assumes that the Units are acquired in consideration for the subscription price of the subscription receipts.

This summary is not applicable to a Holder (i) that is a "financial institution" as defined in subsection 142.2(1) of the Tax Act, (ii) that is a "specified financial institution" as defined in the Tax Act, (iii) that reports its "Canadian tax results", as defined in the Tax Act, in a currency other than Canadian currency, (iv) an interest in which would be a "tax shelter investment" as defined in the Tax Act, (v) that has, directly or indirectly, a "significant interest" as defined in subsection 34.2(1) of the Tax Act in the Partnership, (vi) of which any affiliate of the Partnership is or was at any relevant time a "foreign affiliate" for any purpose of the Tax Act, or (vii) that has entered into or will enter into, with respect to the Units, a "derivative forward agreement" as that term is defined in the Tax Act. Such Holders are urged to consult their own tax advisors. In addition, this summary does not address the deductibility of interest expense or other expenses incurred by a Holder in connection with debt incurred in connection with the acquisition or holding of Units.

This summary is also not applicable to a Holder who holds more than one class of Units at any particular time. The CRA has expressed the view that all interests in a particular partnership held by a taxpayer (such as different classes of Units) should be treated as a single property for purposes of the Tax Act, including for purposes of determining the adjusted cost base of such interests. Holders who intend to hold more than one class of Units should consult their own tax advisors in this regard. This summary assumes that at all times: (i) the Partnership is a "Canadian partnership" as defined in the Tax Act, (ii) the Partnership (and each Unit) is not a "tax shelter" or "tax shelter investment", each as defined in the Tax Act, (iii) the Partnership is not a "SIFT partnership" as defined in the Tax Act, (iv) Units that represent more than 50% of the fair market value of all interests in the Partnership are held by

Unitholders that are not “financial institutions” as defined in the Tax Act, and (v) no interest in any Unitholder is a “tax shelter investment” as defined in the Tax Act. However, no assurances can be given in this regard.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder (the “**Regulations**”) and the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”). With the exception of the Passive Income Proposals, this summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”). Except as described in the immediately preceding sentence, this summary does not take into account or anticipate any changes in law or administrative policy or assessing practice, whether by legislative, regulatory, administrative or judicial decision or action. Furthermore, this summary does not take into account provincial, territorial or foreign income tax legislation or considerations. This summary assumes that the Tax Proposals will be enacted as proposed, but no assurance can be given in this regard. No ruling has been sought from the CRA as to the tax position of the Partnership or the Unitholders.

In the 2018 Federal Budget, introduced on February 27, 2018, the Minister of Finance (Canada) released draft legislation introducing certain measures intended to increase the amount of tax applicable to passive investment income earned through a private corporation in taxation years that begin after 2018 (the “**Passive Income Proposals**”). This summary does not take into account the Passive Income Proposals or further announcements or draft legislation released in respect thereof. Prospective Holders that are private corporations should consult their own tax advisors with respect to the implications of the Passive Income Proposals and further announcements or draft legislation released in respect thereof as they relate to the acquisition, holding and disposition of Units.

This summary is of a general nature only and is not intended, nor should it be construed, to be legal or tax advice to any particular prospective investor. The income and other tax consequences to a Holder of acquiring, holding or disposing of Units in the Partnership vary according to the status of the Holder, the province or territory in which the Holder resides or carries on business and the Holder’s own particular circumstances. Each Holder should obtain independent advice regarding the income tax consequences under federal and provincial tax legislation of acquiring, holding and disposing of Units based on such Holder’s own particular circumstances.

### **Taxation of the Partnership**

Under the Tax Act, the Partnership itself is not liable for Canadian federal income tax. However, the income or loss of the Partnership will be computed for each fiscal period as if it were a separate person resident in Canada. The fiscal period of the Partnership will end on December 31 each year. The income or loss of the Partnership, for purposes of the Tax Act, may differ from its income or loss for accounting purposes and may not be matched by cash distributions.

In computing its income or loss for income tax purposes, the Partnership will generally be entitled to deduct its expenses in its fiscal period in which they are incurred provided that such expenses are reasonable and their deduction is permitted by the Tax Act. The Partnership may generally deduct the costs and expenses of issuing Units pursuant to the Offering, incurred by the Partnership and not reimbursed, at the rate of 20% per year, pro-rated where the Partnership’s fiscal year is less than 365 days.

Foreign taxes paid by the Partnership and taxes withheld at source on amounts paid or credited to the Partnership will be allocated in accordance with the Partnership Agreement. Each Holder’s share of the “business-income tax” and “non-business-income tax,” each as defined in the Tax Act, paid to the government of a foreign country for a year will be creditable against the Holder’s Canadian federal income tax liability to the extent permitted by the detailed foreign tax credit rules contained in the Tax Act. Although the foreign tax credit rules are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, the foreign tax credit rules may not provide a full foreign tax credit for the “business-income tax” and “non-business-income tax” paid by the Partnership to the government of a foreign country. The Tax Act contains anti-avoidance rules to address certain foreign tax credit generator transactions (the “**Foreign Tax Credit Generator Rules**”). Under the Foreign Tax Credit Generator Rules, the foreign “business-income tax” and “non-business-income tax” allocated to a Holder for the purpose of determining such Holder’s foreign tax credit for any taxation year may be limited in certain circumstances, including where a Holder’s share of the Partnership’s income under the income tax laws of any country (other than Canada) under whose laws the

income of the Partnership is subject to income taxation (the “**Relevant Foreign Tax Law**”), is less than the Holder’s share of such income for purposes of the Tax Act. For this purpose, a Holder is not considered to have a lesser direct or indirect share of the income of the Partnership under the Relevant Foreign Tax Law than for the purposes of the Tax Act solely because, among other reasons, of a difference between the Relevant Foreign Tax Law and the Tax Act in the manner of computing the income of the Partnership or in the manner of allocating the income of the Partnership because of the admission or withdrawal of a partner. No assurance can be given that the Foreign Tax Credit Generator Rules will not apply to any Holder. If the Foreign Tax Credit Generator Rules apply, the allocation to a Holder of foreign “business-income tax” or “non-business-income tax” paid by the Partnership, and therefore such Holder’s foreign tax credits, will be limited.

### **Taxation of Unitholders**

The income or loss of the Partnership for Canadian federal income tax purposes for each fiscal period of the Partnership will be allocated among the partners holding Units (or deemed to be holding Units) at any time during that fiscal period, in accordance with the Partnership Agreement. In general, a Holder’s share of any income or loss of the Partnership from a particular source (including its share of any taxable capital gain or any allowable capital loss) will retain its character as such, and any provisions of the Tax Act applicable to that type of income or loss will apply to the share of such income or loss allocated to the Holder. A Holder’s share of the Partnership’s income must (or loss may, subject to the “at-risk rules” described below) be included (or deducted) in determining the Holder’s income (or loss) for the Holder’s taxation year in which the Partnership fiscal period ends, whether or not any distribution has been made by the Partnership.

Subject to the “at-risk rules” and “alternative minimum tax rules” discussed below, a Holder’s allocated share of the losses from any source (other than allowable capital losses) of the Partnership for any fiscal period may generally be applied against the Holder’s income from any source in order to reduce the Holder’s overall net income in the relevant taxation year and, to the extent such amount exceeds other income for that year, generally may be carried back three years and forward 20 years and deducted in computing taxable income for such other years to the extent and under the circumstances described in the Tax Act.

A Holder’s allocated share of the allowable capital losses of the Partnership for any fiscal period may generally be applied against the Holder’s taxable capital gains in the relevant taxation year and, to the extent such amount exceeds such taxable capital gains, generally may be carried back three years and carried forward indefinitely against taxable capital gains realized in such other years to the extent and under the circumstances described in the Tax Act.

The “at-risk rules” contained in the Tax Act generally provide that, notwithstanding the income or loss allocation provisions of the Tax Act, a Holder’s allocated share of the losses (other than allowable capital losses) of the Partnership for a fiscal period will be deductible by the Holder in computing its income for a taxation year only to the extent that its share of such losses does not exceed its “at-risk amount” in respect of the Partnership at the end of the fiscal period. In general terms, a Holder’s “at-risk amount” in respect of the Partnership at the end of a fiscal period of the Partnership is equal to (i) the adjusted cost base to the Holder of its Units at that time, plus (ii) subject to certain adjustments, the Holder’s share of the income from all sources of the Partnership for the fiscal period, less (iii) subject to certain exceptions, all amounts owing by the Holder (or by a person or partnership which does not deal at arm’s length with the Holder) to the Partnership (or to a person or partnership that does not deal at arm’s length with the Partnership) and less (iv) subject to certain exceptions, any amount or benefit which the Holder (or a person who does not deal at arm’s length with the Holder) is entitled to receive where the amount or benefit is intended to reduce the impact of any loss the Holder might sustain by virtue of being a member of the Partnership or of holding or disposing of its Units.

A Holder’s share of the losses of the Partnership that is not deductible by the Holder in a taxation year as a result of the application of the “at-risk rules” is considered to be that Holder’s “limited partnership loss” in respect of the Partnership for the year. Such a limited partnership loss may be deducted by the Holder in any subsequent taxation year against any income for that year from the Limited Partnership to the extent, generally, that the Holder’s “at-risk amount” at the end of the Partnership’s last fiscal period ending in that year exceeds the Holder’s share of any losses of the Partnership from a business or property for that fiscal period in accordance with the rules contained in the Tax Act.

### **Disposition of Units**

A Holder who disposes, or is deemed to have disposed, of a Unit will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition of the Unit, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Holder of the Unit. In general, the adjusted cost base to a Holder of a Unit at a particular time will be equal to the actual cost of the Unit plus, subject to certain adjustments, the Holder's allocated share of the income of such Partnership from any source for all fiscal periods of the Partnership ending before the particular time, less, subject to certain adjustments, the Holder's allocated share of the losses of such Partnership from any source for all fiscal periods of the Partnership ending before the particular time (other than any portion of the losses not deducted by reason of the application of the at-risk rules) and the amount of any distributions made to the Holder by the Partnership before the relevant particular time.

The allocated income for a fiscal period will not be added to the adjusted cost base of the Units until after the end of that fiscal period. If a Holder disposes of all of his, her or its Units, income or loss of the Partnership allocated to such Holder for the year of disposition will be added to or subtracted from his, her or its adjusted cost base of the Units as if that year was a completed fiscal year. Where the adjusted cost base to a Holder of his, her or its Units is negative at the end of a fiscal period of the Partnership, the negative amount will be deemed to be a capital gain of the Holder. The adjusted cost base of the Holder's Units will be increased by the amount of this deemed capital gain.

In general, one-half of a capital gain must be included in computing the income of a Holder (a "taxable capital gain"), and one-half of a capital loss (an "allowable capital loss") must be deducted by a Holder from taxable capital gains realized in the year and, to the extent that such allowable capital losses exceed taxable capital gains in the year, generally may be applied against net taxable capital gains realized in any of the three years preceding the year or any year following the year, to the extent and under the circumstances described in the Tax Act.

Special rules in the Tax Act may apply to disallow the one-half treatment on all or a portion of a capital gain realized on a disposition of Units to a tax-exempt person or a non-resident person. Holders contemplating such a disposition should consult their own tax advisors in this regard.

A Holder that is a Canadian-controlled private corporation (as defined in the Tax Act) throughout a taxation year may be liable to pay an additional refundable tax on certain investment income, including taxable capital gains.

### **Currency Translation**

In general, amounts relevant to the computation of income under the Tax Act are reported in Canadian dollars. Any amount that is expressed or denominated in a currency other than Canadian dollars, including adjusted cost base and proceeds of disposition, must be converted into Canadian dollars generally based on the exchange rate quoted by the Bank of Canada on the date each such amount arises or such other rate of exchange that is acceptable to the CRA. Consequently, a Holder may realize or be deemed to realize income, a capital gain or capital loss in respect of their investment in Units, including on a disposition of a Unit, due to fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar.

### **Dissolution of the Partnership**

On the dissolution of the Partnership, Holders will generally be considered to have disposed of their Units for proceeds of disposition equal to the fair market value of the property received or receivable by them on the dissolution and the Partnership will be deemed to have disposed of, and the Holders will be deemed to have acquired, such property at its fair market value.

A capital gain (or capital loss) will be realized by a Holder on the disposition of such Units to the extent that such proceeds, net of reasonable disposition costs, exceed (or are less than) the adjusted cost base of the Holder's Units, calculated as described above. Any income, capital gain or loss realized by the Partnership on the disposition of property in the fiscal period ending as a result of the dissolution of the Partnership will be included in the income or loss of the Partnership for that fiscal period and allocated to the partners in accordance with the Partnership Agreement.

### **Alternative Minimum Tax**

A Holder subject to the alternative minimum tax rules in the Tax Act must generally calculate the minimum tax payable without deducting certain partnership losses allocated to the Holder and associated carrying charges from adjusted taxable income. The realization of a capital gain on the disposition of Units or the realization by the Partnership of a capital gain may give rise to an increased liability for alternative minimum tax. Holders should consult their own tax advisors for advice respecting the application of the alternative minimum tax rules in their particular circumstances.

### **Filing Requirements**

Each Holder will generally be required to file an income tax return reporting its share of the income or loss of the Partnership. While the Partnership will provide each Holder with the information required for income tax purposes pertaining to the Holder, the Partnership will not prepare or file income tax returns on behalf of any Holder. Each person who is a partner of the Partnership at any time in a fiscal period of the Partnership is required to make and file an information return in respect of that period in prescribed form, including the income or loss of the Partnership for that period and the allocation of such income or loss among the partners. The filing of an annual information return by the General Partner on behalf of all Holders will satisfy this requirement, and under the Partnership Agreement the General Partner is required to make such filing.

### **Non-Eligibility for Investment by Tax Deferred Plans**

Units are **not** “qualified investments” under the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans or tax-free savings accounts (collectively, “**Registered Plans**”).

## **CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

### **General**

The following is a summary of certain material U.S. federal income tax considerations applicable to the Partnership and the Master Fund. This summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units. U.S. alternative minimum tax, and state, local, non-U.S. and U.S. federal non-income tax matters, are not discussed herein. No legal or U.S. tax opinion is being given, nor will any rulings be sought from the Internal Revenue Service (“**IRS**”), with respect to any U.S. federal income tax issue. As a result, there can be no assurance that the IRS will not assert positions contrary to the U.S. federal income tax treatment described herein. U.S. federal income tax consequences that are different from those described in this summary, as a result of a successful challenge by the IRS, could negatively impact the cash available for distribution to the Unitholders and the value of the Units.

This summary does not address all possible U.S. federal income tax considerations applicable to the Partnership or the Master Fund. Further, this summary does not address any U.S. federal tax considerations applicable to Unitholders. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (“**Code**”), and the Treasury Regulations promulgated thereunder, IRS rulings and official pronouncements, judicial decisions, and the Convention between the United States of America and Canada with Respect to Taxes on Income and Capital, signed September 26, 1980, as amended, including the Fifth Protocol signed September 21, 2007, amending same (“**Treaty**”), all as in effect on the date of this Offering Memorandum and all of which are subject to change, possibly with retroactive effect, or different interpretations, which could affect the accuracy of the analysis set forth below.

In general, a non-U.S. corporation engaged in a U.S. trade or business generally is subject to U.S. federal income tax on income that is “effectively connected” with such U.S. trade or business (“**ECT**”) and, if applicable, under an applicable income tax treaty (e.g., the Treaty), is attributable to a permanent establishment maintained by the non-U.S. corporation in the United States. A non-U.S. corporation that is a partner in a partnership engaged in a U.S. trade or business will itself generally be deemed to be engaged in a U.S. trade or business through a permanent establishment if the partnership itself has an office or other fixed place of business in the U.S. (with certain

exceptions), or if such business is carried out by agents in the U.S. who regularly have the authority to conclude contracts on its behalf and habitually exercise such authority. Income earned from business activities in the U.S. by a partnership engaged in such business through a U.S. permanent establishment generally will be ECI with respect to a non-U.S. corporation.

The Partnership has made a protective election to be classified as a corporation for U.S. federal tax purposes. In respect of Mortgage Loans made by the Master Fund, the Partnership does not intend to be engaged in a U.S. trade or business, nor does it expect to be a direct member of a partnership or disregarded entity that is engaged in a U.S. trade or business through a permanent establishment. Therefore, in respect of Mortgage Loans made by the Master Fund, the Partnership does not expect to have any ECI that would be subject to U.S. federal income tax.

The Partnership will make an election under the applicable Treasury Regulations to be classified as a corporation for U.S. federal income tax purposes. Consequently, the Partnership will be considered a non-U.S. corporation for U.S. federal income tax purposes.

It is likely that the activities of the Master Fund could cause it to be treated as being engaged in a U.S. trade or business for U.S. federal income tax purposes, and there can be no assurance that the Master Fund's activities will not cause it to be so treated. The Master Fund, which is classified as a partnership for U.S. federal income tax purposes, will not itself be subject to U.S. federal income tax, but rather will "flow through" its income, gains, deductions, losses, and credits to its partners. However, none of the Master Fund, the Master Fund General Partner, the Master Fund Manager, or the Manager will maintain an office or other fixed place of business in the U.S. In addition, the mind, management and control of the Master Fund's activities will be in Canada. To the extent that the Master Fund Manager engages entities or individuals in the U.S. to perform services in connection with the Master Fund's activities in the U.S., for instance, to identify potential Mortgage Loans and manage relationships with potential and actual U.S. borrowers, such services will generally be of a preparatory nature, and such entities or individuals will not have the ability or the authority to conclude contracts on behalf of, or otherwise bind, the Master Fund Manager, the Manager, the Master Fund General Partner or the Master Fund with respect to activities in the U.S. As a result, even if the Master Fund is treated as engaged in a U.S. trade or business and earns ECI, the Partnership's allocable share of such ECI should not be attributable to a U.S. permanent establishment and so the Partnership should not be subject to U.S. federal income tax on such income, if any.

A non-U.S. corporation is also subject to a 30% U.S. withholding tax on certain types of U.S. source income which are not ECI, unless the non-U.S. corporation otherwise establishes an exemption from, or a reduced rate of, withholding under an applicable income tax treaty. These types of income generally include passive income such as dividends, rents (that are not otherwise ECI), interest and royalties, and other "fixed or determinable annual or periodic" ("FDAP") income. Unless an exception applies, a non-U.S. corporation will be subject to U.S. withholding tax on the gross amount of any FDAP income, and will not be entitled to deductions for any expenses to the extent allocable to FDAP income. To the extent that Unitholders in the Partnership are the beneficial owner of FDAP income eligible for a reduced rate of withholding under the Treaty, it is anticipated that the Unitholders in the Partnership will qualify for the zero percent rate of U.S. withholding tax on interest income under the Treaty, provided that such Unitholders are eligible for benefits under the Treaty.

A non-U.S. corporation that owns "United States Real Property Interests" ("USRPI"), including an interest in a partnership that owns U.S. real property as its primary assets, is subject to U.S. federal income tax on gains arising on the sale of such real property or on the sale of such partnership interest, at the rate applicable to corporations under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") rules under Section 897 of the Code. Presently, there is no preferential U.S. federal capital gains tax rate for a non-U.S. corporation on the gain derived on disposition of a USRPI (such as an interest in a partnership owning U.S. real property), or the gain allocated to such foreign corporation on the disposition of U.S. real property by the partnership. Pursuant to the FIRPTA rules, withholding on gains from the disposition of a USRPI is required under Section 1445 of the Code; although if withholding is made under the Section 1446 rules applicable to income allocable to non-U.S. partners of a partnership engaged in a U.S. trade or business, the FIRPTA withholding rules generally will also be satisfied. The Code provides that a USRPI does not include an interest in U.S. real property solely as a creditor. However, loans that give the lender the right to share in the appreciation of value of real property or in the gross or net proceeds of the profits generated by real property will generally be treated as a USRPI. Therefore, for U.S. Mortgage Loans that do not have such shared appreciation/profit sharing characteristics, it is not anticipated that such Mortgage Loans



will constitute USRPI, and the FIRPTA rules will not apply to such Mortgage Loans owned by the Master Fund or interests in the Master Fund held by the Partnership. However, in the event that the Master Fund or an Affiliate forecloses on or otherwise disposes of a Real Property securing a Mortgage Loan, then there is a risk that any gain recognized from a subsequent disposition of such Real Property and allocable to the Partnership could be treated as a disposition of a USRPI by the Partnership and cause the Partnership to be subject to U.S. federal income tax under the FIRPTA rules.

### **U.S. Federal Estate Tax**

Generally, a non-resident of the U.S. who dies while owning U.S. real property or other “U.S. situs assets” is subject to U.S. federal estate tax. As the Partnership will elect to be treated as a corporation for U.S. tax purposes, neither the Units, nor any of the assets of the Partnership, should be treated as U.S. situs assets of Unitholders in the Partnership who are otherwise non-residents of the U.S., and no U.S. federal estate tax should be exigible.

**This summary is of a general nature only and is not intended to be and should not be taken as legal, tax or business advice to any particular potential Unitholder. Consequently, potential Unitholders should seek independent professional advice regarding the income tax and other U.S. federal or state tax consequences of investing in Units, based upon their own particular circumstances.**

## **OFFERING**

The Partnership has engaged the Manager, in its capacity as an exempt market dealer, as its agent for the Offering. See Licensing and Legislative Regime – Securities Activities.

### **Offering**

The Offering is for Units at Net Asset Value as at the immediately preceding Valuation Date. Each Unit represents an undivided beneficial interest in the assets of the Partnership. All subscriptions for Units will be made through the purchase of interim subscription receipts at Closing at a fixed price of \$10.00 per interim subscription receipt. Following the calculation of the Net Asset Value as at a Valuation Date, the interim subscription receipts will be automatically converted, without any further action on the part of the Subscriber, into the appropriate number of Units. The number of Units issued will be the net subscription proceeds divided by the applicable Net Asset Value per Unit as at the Valuation Date immediately preceding the month in which the subscription was accepted. The number of interim subscription receipts will be different from the final number of Units so purchased. The interim subscription receipts are not redeemable and do not carry any voting rights.

The Units are being offered in reliance on certain exemptions from the prospectus requirements available under the securities laws of the Offering Jurisdictions.

**The proceeds of the Offering may not be sufficient to accomplish all of the Partnership’s proposed objectives. In addition to alternate financing sources, the Partnership may conduct future offerings of Units in order to raise additional funds, which will result in a dilution of the interests of Unitholders in the Partnership. There is no assurance that the required financing will be available on terms acceptable to the Partnership or at all.**

All subscriptions are subject to acceptance by the Partnership. See Subscription Procedure. The Partnership will generally not accept any subscription of less than \$50,000. The Partnership will not accept any subscription unless the sale of Units to the Subscriber would qualify as an exempt distribution under applicable securities laws. See Subscription Qualification.

### **Additional Information**

Prospective Subscribers should address any questions regarding the business and financial condition of the Partnership and the terms of this Offering to representatives of the Manager or to their Representative, and request such information necessary for the prospective Subscriber to make an informed investment decision. Upon written request, the Manager will provide copies of documents referred to in this Offering Memorandum.

### **Use of Proceeds**

The expenses of this Offering are estimated at approximately \$75,000, including advertising, legal and accounting costs and printing. Additionally, the Partnership will be responsible for its proportionate share of the expenses of the offering of Master Fund Units, which are estimated to be approximately US\$100,000. The Partnership intends to use the net proceeds of the Offering to subscribe for Master Fund Units thereby providing the Master Fund with capital to make future Authorized Investments which are consistent with the Master Fund's investment and operating policies and guidelines. See Investment and Operating Policies of the Master Fund.

### **Subscription Qualification**

The Partnership is currently offering the Units in reliance on prospectus exemptions available under the securities laws of the Offering Jurisdictions. Such exemptions relieve the Partnership from the provisions under such legislation requiring the Partnership to file a prospectus. Accordingly, Subscribers will not receive the benefits associated with purchasing the Units pursuant to a filed prospectus, including the review of the material by the securities commissions or similar regulatory authority in such jurisdictions.

### **Eligible Subscribers For the Units**

Generally, any individual, corporation, partnership or other entity resident in the Offering Jurisdictions may subscribe for the Units. See Offering - Ineligible Subscribers For Units below. Each Subscriber will be required to execute a Subscription Agreement, which includes certain representations and warranties of the Subscriber, which the General Partner will be relying upon if it accepts the subscription. Potential Subscribers are encouraged to familiarize themselves with the representations and warranties contained in the Subscription Agreement.

### **Ineligible Subscribers For the Units**

No Person listed in the first paragraph of "Partnership Agreement - Prohibited Unitholders" may subscribe for Units.

### **Plan of Distribution**

Subscriptions received are subject to rejection or allotment by the General Partner in whole or in part. The General Partner reserves the right to close the subscription books at any time without notice. If any subscription is not accepted, all applicable Subscription Agreements and subscription proceeds will be returned to the potential Subscribers, without interest or deduction.

There is no market through which the Units may be sold. At the time the Partnership was constituted, the General Partner determined the subscription price (\$10.00) for interim subscription receipts arbitrarily.

The Partnership will not generally accept any subscription for less than \$50,000. The General Partner reserves the right to waive the minimum amount, provided that it is in compliance with applicable securities laws.

Unless relying on an alternate exemption from the prospectus requirements, Subscribers resident in or otherwise subject to the securities laws of the Offering Jurisdictions are required to fall within the definition of "accredited investor" set out under applicable securities laws or be a non-individual purchasing Units for aggregate consideration in excess of \$150,000 (or such other amount as applicable securities laws may provide for from time to time) in order to purchase the Units.

The Units are currently being offered in the Offering Jurisdictions under various exemptions to the prospectus requirements set out in NI 45-106 (or the complementary exemptions set out in the securities act or securities regulations of certain Offering Jurisdictions).

### **Connected Issuer**

The Partnership is a "connected issuer" of Manager as such term is defined in *National Instrument 33-105 - Underwriting Conflicts* (for clarity, Manager is not acting as an "underwriter" in the distribution of Units as such

term is defined in NI 33-105). The Partnership has determined that it is a connected issuer of Manager based on the following factors:

- (a) Certain directors and officers of the Manager are also the directors and officers of the General Partner; and
- (b) under the Capital Raising Agreement, the Manager is responsible for capital raising activities for the Partnership as well as incidental capital raising administrative functions. The Manager is compensated for the services provided to Partnership based on the assets of the Partnership. For further particulars of the fees payable by the Partnership to the Manager, see Capital Raising Agreement – Capital Raising Fees.

For additional disclosure on the relationship between the Partnership, Manager and their Affiliates, please see the heading Conflicts of Interest.

The General Partner, in such capacity, determined the terms of the Offering. The role of the Manager in capital raising activities is only to implement the decisions made by the General Partner. The Manager, in its capacity as an exempt market dealer, charges the Partnership the Capital Raising Fee for, among other things, services related to the distribution of Units.

### **SUBSCRIPTION PROCEDURE**

Subscribers may subscribe for Units through Manager or through qualified Representatives. Qualified Representatives may, upon FundSERV activation, process orders by electronic means through FundSERV using the code: RIC 200. Each Subscriber must:

- (a) complete and sign a Subscription Agreement, including the applicable schedules thereto;
- (b) deliver payment of the subscription price for the Units subscribed for to the Partnership by way of electronic transfer satisfactory to the General Partner or the administrator (payment of the subscription price through a Representative will transact through FundSERV one (1) Business Day after the applicable monthly Closing); and
- (c) deliver to Manager the Subscription Agreement with applicable schedules referenced above and any other forms, declarations and documents as may be required by Manager or the Subscriber's Representative, if applicable, to complete the subscription.

The Partnership will hold subscription funds in trust until midnight on the second Business Day after the day on which it received a signed Subscription Agreement. After this, the Partnership will hold the subscription funds in trust pending a Closing under this Offering. See Rights of Action for Damages or Rescission.

The Manager, on behalf of the Partnership, may collect, use and disclose individual personal information in accordance with the privacy policy of the Manager and will obtain consent to such collection, use and disclosure from time to time as required by its policy and the law. A copy of its current privacy policy will be provided with the Subscription Agreement.

The Partnership anticipates that there will be monthly Closings. The Partnership may close any part of the Offering on any date as the General Partner may determine in its sole business judgment. The Partnership reserves the right to accept or reject in whole or in part any subscription for Units and the right to close the subscription books at any time without notice. Any funds tendered in respect of a subscription that is not accepted will be promptly returned by the Partnership. At a Closing of the Offering, the Partnership will deliver to Subscribers or their Representative, if applicable, a confirmation of the issuance of the Units, provided the subscription price has been paid in full. Unit certificates will not be issued.

Subscribers should carefully review the terms of the Subscription Agreement and Partnership Agreement accompanying this Offering Memorandum for more detailed information concerning the rights and obligations of Subscribers and the Partnership. Execution and delivery of a Subscription Agreement will bind Subscribers to the

terms thereof, whether executed by Subscribers or by an agent on their behalf. Subscribers should consult with their own professional advisors. See Risk Factors.

### **RESALE RESTRICTIONS**

The Partnership has not filed a prospectus in connection with the issuance of the Units. As a consequence of the Partnership offering the Units in reliance upon exemptions from the prospectus requirements under the laws of the Offering Jurisdictions, persons will be unable to sell, transfer or otherwise deal with the Units offered hereby without the appropriate registration/prospectus-filing with securities commissions of the relevant jurisdictions or pursuant to available prospectus and, if applicable, registration exemptions.

Subscribers are advised to consult with their legal advisors concerning restrictions on the disposition of their Units and are advised against disposing of any Units until they ascertain that such disposition is in compliance with the requirements of the applicable legislation.

### **REGISTRAR AND TRANSFER AGENT**

It is anticipated that the General Partner will engage SS&C to provide registrar and transfer agent services and to perform certain other administrative services for the Partnership. The General Partner intends to engage Prometa Fund Support Services Inc., 220 – 155 Carlton Street, Winnipeg, MN R3C 3H8, as the registrar and transfer agent and performs certain other administrative services for the Partnership in respect of Unitholders who have subscribed through FundSERV.

### **RISK FACTORS**

**In addition to factors set forth elsewhere in this Offering Memorandum and the applicable factors set forth in the offering memorandum for the Master Fund, potential Subscribers should carefully consider the following factors, many of which are inherent to the ownership of the Units. The following is a summary only of the risk factors involved in an investment in the Units. Prospective Subscribers should consult with their own professional advisors to assess the income tax, legal and other aspects of an investment in the Units.**

#### **Market and Investment Risks**

##### ***Investment Risks***

An investment in the Partnership involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Partnership's investment program will be successful or that the Partnership will achieve its objective. The Master Fund Manager will invest substantially all of the Master Fund's assets in Authorized Investments, some of which may be particularly sensitive to economic, market, industry and other variable conditions. The markets in which the Master Fund expects to invest may experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Master Fund, and, consequently, the Partnership.

##### ***Nature of the Investments***

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

The Partnership's income and funds available for distribution to Unitholders would be adversely affected if a significant number of borrowers were unable to pay their Mortgage Loan obligations or if the Master Fund was unable to invest its funds in Mortgage Loans on economically favourable terms. On default by a borrower, delays may occur in enforcing rights in respect of Mortgage Loans, and substantial costs may be incurred in protecting Mortgage Loan investments.

#### ***Availability of Investments***

Because the source of all of the Master Fund's (and therefore, indirectly, the Partnership's) investments is through the Manager and the Master Fund Manager, the Master Fund, and therefore indirectly the Partnership, is exposed to adverse developments in the business and affairs of the Manager and the Master Fund Manager, to their management and financial strength, to their ability to operate their businesses profitably and to their ability to retain any applicable licenses issued under applicable legislation. The ability of the Master 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 Mortgage Loans currently invested in will be representative of yields to be obtained on future Mortgage Loans.

The Manager must render its services under the Capital Raising Agreement honestly and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities in a conscientious, reasonable and competent manner. However, the services of the Manager and the directors and officers of Manager are not exclusive to the Partnership. The Manager, its directors and officers, its Affiliates and members of its credit committee may, at any time, engage in promoting or managing other entities or their investments including those that may compete directly or indirectly with the Partnership.

The Master Fund Manager must render its services under the Services Agreement honestly and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities under the Services Agreement in a conscientious, reasonable and competent manner. However, the services of the Master Fund Manager and its management are not exclusive to the Master Fund. The Master Fund Manager, its management and its Affiliates, may at any time, engage in promoting or managing other entities or their investments including those that may compete directly or indirectly with the Master Fund, and the Master Fund Manager has sole discretion in overseeing the determination of which Mortgage Loans and other Authorized Investments it will make available to the Master Fund for investment. The Master Fund Manager is obligated to give the Master Fund the first opportunity to invest in Mortgage Loans identified and reviewed by it. See Conflicts of Interest.

#### ***Renewal of Mortgage Loans***

There can be no assurances that any of the Mortgage Loans comprising the Mortgage Loan Portfolio from time to time can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to each Mortgage Loan comprising the Mortgage Loan Portfolio, it is possible that the Mortgage Loan will not be renewed or extended. In addition, if the Mortgage Loans in the Mortgage Loan Portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions will be subject to negotiations at the time of renewal.

#### ***Composition of the Mortgage Loan Portfolio***

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

#### ***Failure to Meet Commitments***

The Master Fund may commit to making future Mortgage Loan investments in anticipation of repayment of principal outstanding under existing Mortgage Loan investments. In the event that such repayments of principal are not made in contravention of the borrowers' obligations, the Master 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.

### ***Non-Performing Mortgage Loans***

One or more borrowers could fail to make payments according to the terms of their Mortgage Loans, and the Master Fund could therefore be forced to commence enforcement proceedings. The recovery of a portion of the Master Funds' assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the Master Funds' rights. Legal fees and expenses and other costs incurred by the Master Fund in enforcing their rights against a defaulting borrower are usually recoverable from the borrower directly or from enforcement realization proceeds, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable they will be borne by the Master Fund.

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of Real Property regardless of whether the property is producing income or whether payments are being made. The Master Fund may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

### ***Subordinated Mortgage Loans***

Some of the Mortgage Loans in which the Master Fund invests, directly or indirectly, may be considered to be riskier than First Mortgage Loans because the Master Funds will not have a first-ranking lien on the underlying Real Property. When a lien on a Real Property is not first-ranking, it is possible for the holder of a senior-ranking lien, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the Real Property to recover the loan. Certain enforcement proceedings may deprive subordinate lienholders of their interest in the Real Property. If a Real Property is sold and sufficient proceeds are not realized from such sale to pay off creditors who have prior liens, the holder of a subsequent lien may lose its investment or part thereof to the extent of such deficiency unless the holder can otherwise recover such deficiency from other collateral.

### ***Litigation Risk***

The Master Fund may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, the Master Fund may not be receiving Mortgage Loan payments, thereby impacting Partnership cash flow. The unfavourable resolution of any legal proceedings could have an adverse effect on the Master Fund, and thereby on the Partnership and its financial position and results of operations that could be material.

### ***Competition***

The Master Fund will be competing for Mortgage Loans with Persons who are seeking similar investments. Many of these investors will have greater financial resources than the Master Fund, or operate without the investment or operating restrictions of the Master Fund or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in Mortgage Loan investments may increase competition for Real Property investments, thereby increasing purchase prices and reducing the yield on such investments. While the Master Fund General Partner does not anticipate a significant increase in competition in the markets in which it intends to continue to invest, changing market conditions may increase the level of competition for profitable Mortgage Loan investments and thus may reduce the number of suitable investment opportunities for the Master Fund.

### ***Use of Leverage***

The Master Fund expects to borrow funds under a revolving loan facility from one or more third-party lenders in order to increase the amount of capital available from time to time. Such borrowings are used primarily for cash-flow management purposes, when there is a temporary mismatch between current cash requirements and repayments from maturing Mortgage Loans. The Master Fund does not intend to borrow more than 35% of the value of the Mortgage Portfolio at any time. The purpose of such borrowings is not to enhance Master Fund returns. However, although such borrowings may increase returns to the limited partners if the Master Fund earns a greater return on any incremental investments purchased with borrowed funds than it pays for such funds, the use of such borrowings may decrease returns to the limited partners if the Master Fund fails to earn as much on such incremental

investments as it pays for such funds. When the Master Fund borrows funds, the level of interest rates generally, and the rates at which the Master Fund can borrow in particular, will be an expense of the Master Fund and therefore affect the operating results of the Master Fund. The lender(s) under the loan facility will have a security interest over the assets of the Master Fund which rank ahead of the interest of the Unitholders. If for some reason such loan facility is in default, the assets of the Master Fund will be used to repay the loan facility which may prejudice the day-to-day operation of the Master Fund and consequently the Partnership.

### ***Money Market Instruments***

The Master Fund may invest as Authorized Interim Investments, on an interim basis, all or a portion of the Master Fund's assets in high quality fixed-income securities, money-market instruments, and money-market mutual funds, or hold cash or cash equivalents in such amounts as the Master Fund Manager deems appropriate under the circumstances. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, certificates of deposit and bankers' acceptances issued by domestic branches of U.S. banks that are members of the Federal Deposit Insurance Corporation. However, there can be no assurances that such investments will not be subject to significant risks.

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

The success of the Master Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Master Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the value and liquidity of the Master Fund's investments and the availability of certain investments. Volatility or illiquidity could impair the Master Fund's profitability or result in losses. The Master Fund may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The financing available to the Master Fund from its lenders on favourable terms will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Master Fund. Market disruptions may from time to time cause dramatic losses for the Master Fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

### ***Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act***

The global financial markets have in recent years gone through pervasive and fundamental disruptions that have led to extensive governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, certain of these interventions have been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), which aims to reform various aspects of the U.S. financial markets, covers a broad range of market participants including Persons (registered and unregistered) such as the Master Fund Manager. The Dodd-Frank Act may directly affect the Master Fund Manager by mandating additional new reporting requirements, including, but not limited to, position information, use of leverage and counterparty and credit risk exposure. Until the SEC implements all of the new reporting requirements, the full burden of such reporting obligations will not be known.

The Dodd-Frank Act may also affect the Master Fund in a number of other ways. Pursuant to the Dodd-Frank Act, banks and other financial firms (like the Master Fund and the Master Fund Manager) may be designated as "Systemically Important Financial Institutions" or SIFIs. Any bank or financial firm so designated will be subject to regulation by the Federal Reserve Board. Although the Master Fund General Partner and the Master Fund Manager believe they are unlikely to be classified as SIFIs and are not subject to the requirements for "major swap participants," the consequences of being so classified could be substantial and adverse. In addition, the cost of certain transactions may substantially increase as result of the Dodd-Frank Act as additional margin, capital and collateral obligations are implemented.

***Mortgage Loans Not Insured***

Generally speaking, Mortgage Loans are not insured or guaranteed, in whole or in part, by any government or governmental entity, underwriter or any other person, except in circumstances where recourse to the borrower and its financial strength is negotiated as part of a particular underwriting. In these cases, the ability of any borrower (or guarantor) to satisfy its recourse obligations will be limited by the extent of their respective available assets. No representation is made as to the adequacy of assets of any borrower or guarantor available to satisfy their respective recourse obligations with respect to any Mortgage Loans.

***Environmental and Other Regulatory Matters***

Although an evaluation of an Environmental Audit will generally be obtained on underlying Real Property, and environmental indemnities will be obtained from borrowers and others, environmental legislation and policies have become an increasingly important feature of Real Property ownership and management in recent years. Under various laws, the Master Fund could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes at or from a property, or disposed of at another location. The failure to effect remedial work may adversely affect an owner's ability to sell real estate or to borrow using the real estate as collateral and could result in claims against the owner. The Master Fund follows the environmental programs of the Manager and the Master Fund Manager, which include policies and procedures to review and monitor environmental matters. These environmental policies usually include an Environmental Audit when warranted, conducted by an independent and experienced environmental consultant, before making a Mortgage Loan investment.

**Risks Associated with the Partnership and/or the Master Fund*****No Operating History and Dependence on Key Personnel***

Although the Manager has substantial investment experience and a relatively long operating history, the General Partner, the Partnership, the Master Fund, the Master Fund General Partner and the Master Fund Manager and the Partnership have little or no history upon which a prospective investor may base its investment decision. The past performance of the strategies and products managed by the Manager is no guarantee of future performance.

***No Market for the Units***

As there is no developed market for the Units and the Units are subject to overall restrictions under securities laws and the Partnership Agreement, and as there are redemption limitations on Units, a Unitholder will not be able to liquidate its investment or withdraw its capital at will. Other than in accordance with the redemption rights attached to the Units, a Unitholder may never be able to sell its Units and recover any part of its investment. Similar characteristics attach to the Master Fund Units owned by the Partnership. Accordingly, an investment in Units should only be considered by investors who do not require liquidity. A subscription for Units should be considered only by sophisticated investors financially able to maintain their investment and who can afford to lose all or a substantial part of such investment.

***The Units Are Not Insured***

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

***Tax Treatment and Possible Changes in Tax Laws***

There can be no assurance that income tax laws will not be changed in a manner which adversely affects Unitholders. See Certain Canadian Federal Income Tax Considerations and Certain U.S. Income Tax Considerations.

Prospective Unitholders should consult with their tax advisors for advice with respect to the tax consequences to them having regard to their own particular circumstances.

***Partnership's Interest in Master Fund***

The Partnership will obtain an economic interest in Mortgage Loans by virtue of its investment in the Master Fund. The Partnership will be only one of several limited partners in the Master Fund.



***Dilution***

The number of Units the Partnership is authorized to issue is essentially unlimited and the General Partner has the sole discretion to issue additional Units. The proceeds of the Offering may not be sufficient to accomplish all of the Partnership's proposed objectives. In addition to alternate financing sources, the Partnership may conduct future offerings of Units in order to raise the funds required which will result in a dilution of the interests of the Unitholders in the Partnership.

***Reliance on General Partner***

In assessing the risks and rewards of an investment in Units, potential investors should appreciate that they are relying on the good faith and judgment of the General Partner in administering and managing the Partnership. Although approval of the Unitholders is required for certain matters, Unitholders have no right to take part in the management of the Partnership, and the Partnership will be bound by the decisions of the General Partner as provided in the Partnership Agreement. It would be inappropriate for investors who are unwilling to rely on the General Partner to this extent to subscribe for Units. There is no certainty that the persons who are currently responsible for the management of the affairs of the Partnership will continue to be available to the Partnership for the entire period during which it requires the provision of their services.

In assessing the risk of an investment in Units, potential investors should be aware that they will be relying on the good faith, experience and judgment of management of the Manager, the Master Fund Manager, the General Partner and the Master Fund General Partner and those advisors appointed by them to assess the acquisition and disposition of the Master Fund's Authorized Investments. Although the Master Fund's Mortgage Loans and other Authorized Investments will be carefully chosen, there can be no assurance that such investments will earn a positive return in the short or long term or that losses may not be suffered by the Master Fund from such investments.

***No Input into Partnership Affairs***

Unitholders will have no right to take part in the conduct, management, operation or control of the Partnership or the Partnership's business.

***Repayment of Certain Distributions; Possible Loss of Limited Liability***

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

The Partnership may, by virtue of this Offering or otherwise, be carrying on business in Offering Jurisdictions other than Ontario. The Partnership will be registered as an extra-jurisdictional limited partnership in those Offering Jurisdictions where it has been advised that it will be carrying on business by virtue of this Offering or otherwise and where there is provision for registration as an extra-jurisdictional limited partnership in those Offering Jurisdictions. However, there is a risk that Unitholders may not be afforded limited liability in such Offering Jurisdictions to the extent that principles of conflicts of law recognizing the limitation of liability of Unitholders have not been authoritatively established with respect to limited partnerships formed under laws of one jurisdiction but carrying on business in another jurisdiction.

***No Guaranteed Return***

There is no guarantee that an investment in Units will earn any positive return in the short or long term. Moreover, the interest rates being charged on Mortgage Loans reflect the general level of interest rates and, as interest rates fluctuate, management of the Partnership expects that the aggregate yield on Mortgage Loan investments, and therefore, the level of distributions to the Partnership from the Master Fund, may also change.

***Significant Redemptions of Units***

Units are redeemable by the Unitholder as described under Description of Units – Unitholder Redemption Rights. The Partnership has the right to defer a redemption payment if the aggregate number of Units tendered for redemption on a particular Redemption Date exceeds the Master Fund Withdrawal Gate (or the Partnership's pro rata portion thereof).

Although limited partners of the Master Fund have withdrawal limitations, substantial withdrawals by one or more limited partners of the Master Fund within a short period of time could require the Master Fund to liquidate positions more rapidly than would otherwise be desirable, possibly reducing the value of the Master Fund's assets and/or disrupting the Master Fund's investment strategy. Reduction in the size of the Master Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Master Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

***Master Fund Withdrawal Gate; Designated Investments***

Subject to the Master Fund Withdrawal Gate, a limited partner generally will not be permitted to withdraw all or any portion of its capital account balances from the Partnership except as of the applicable withdrawal date. In addition, limited partners will not be permitted to make any withdrawals corresponding to amounts attributable to their "Designated Investment" account until after the particular "Designated Investment" is sold or the Master General Partner otherwise determines that it should not be treated as a "Designated Investment". Due to such withdrawal limitations, a limited partner's investment in the Master Fund may be adversely affected by the performance of the Master Fund before a limited partner can fully withdraw. The Master Fund General Partner may suspend withdrawal rights (including the payment of withdrawal proceeds and the calculation of the net asset value of the Master Fund), in whole or in part, during any period when there exists, in the reasonable good faith opinion of the Master Fund General Partner, a state of affairs where the disposal of the Master Fund's assets, or the determination of the value of the limited partners' capital accounts, would not be reasonably practicable or would be seriously prejudicial to the non-withdrawing limited partners or if required under any applicable anti-money laundering laws or regulations.

***Distributions and Allocations***

If the Partnership has income for Canadian federal income tax purposes for a fiscal year, such income will be allocated to the Unitholders in accordance with the provisions of the Partnership Agreement and will be required to be included in computing their income for tax purposes, irrespective of the fact that cash may not have been distributed to them. Allocations for tax purposes to a particular Unitholder may not correspond to the economic gains and losses which such Unitholder may experience.

***Redemption at the Option of the General Partner***

The General Partner may require a Unitholder to redeem all or any of its Units for any reason, at any time on 5 days' prior written notice to the Unitholder. Such mandatory withdrawal may create adverse tax and/or economic consequences to the Unitholder depending on the timing thereof in respect of the Partnership and/or the Unitholder.

***Valuation***

Valuations of the Partnership's and the Master Fund's investments may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the net asset values could be adversely affected. Such investments will not be listed on established exchanges, which may make a determination of the fair market value difficult to accurately determine. Third party pricing information may at times not be available. Valuation determinations made by the General Partner and/or the Master Fund General Partner, which will be conclusive and binding, may affect the amount of the Services Fee and the Capital Raising Fee.

***Conflicts of Interest***

As described in "Conflicts of Interest," there are certain actual and potential conflicts of interest that should be considered by prospective Subscribers before subscribing for Units.

***Retention of Key Staff***

The performance of the Master Fund, and therefore the Partnership, is largely dependent on the talents and efforts of highly skilled individuals retained by the Master Fund Manager, the Manager or their Affiliates. The success of the

Master Fund depends on the ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented professionals and other staff. A period of sustained loss could hamper the Master Fund Manager's and Manager's ability to attract and retain talented investment professionals and other staff. There can be no assurance that the Manager's professionals will continue to be associated with the Manager throughout the life of the Partnership, and the failure to attract or retain such professionals could have a material adverse effect on the Master Fund and its limited partners, including, for example, by limiting the Master Fund Manager's and Manager's ability to pursue particular investment strategies discussed herein. There is no guarantee that the talents of such professionals could be replaced.

#### ***Liability for U.S. Federal Income Tax***

As discussed above in "Certain U.S. Federal Income Tax Considerations", although the affairs and activities of the Partnership and the Master Fund in the U.S. will be structured, managed and conducted so that they will not be carried on through a permanent establishment in the U.S., no assurance can be given that this position will be accepted by the IRS and others. If any of these entities were treated as having a permanent establishment in the U.S., they would possibly be subject to U.S. federal income tax on their taxable ECI at the regular U.S. federal rate of tax of 21% for corporations, and the federal branch profits tax of 5% of effectively connected earnings and profits in excess of \$500,000 (Canadian), provided that the Partnership is eligible for the reduced branch profits tax rate. Any U.S. federal income tax paid by the Partnership would be mitigated by the ability of Canadian taxable Unitholders to claim a foreign tax credit on their Canadian income tax return to the extent there is adequate U.S. source income to use such foreign tax credit and the Partnership makes the appropriate designations. Any federal income tax payable would have an adverse effect on the cash flow of the Partnership available for distribution to Unitholders.

In addition, any FDAP income would be subject to a 30% withholding tax by the Master Fund, potentially reduced if the Unitholders in the Partnership are eligible for a reduced withholding tax rate under the Treaty and if certain documentation is provided by such Unitholders.

The Master Fund has not requested a ruling from the IRS or an opinion of legal counsel as to any tax matters, including whether the Master Fund will be treated as a partnership (and not as an association taxable as a corporation) for U.S. federal income tax purposes. If the Master Fund were to be treated as a corporation rather than as a partnership for U.S. federal income tax purposes, then the Master Fund itself would be taxed on its taxable income at corporate tax rates, and items of Master Fund income, gain, loss and deduction would not flow through to its limited partners, including the Partnership, and distributions from the Master Fund (other than certain withdrawal distributions) would be treated as dividends to the extent of the current and accumulated earnings and profits of the Master Fund, and would be subject to U.S. withholding tax of 30% subject to reduction under the Treaty. Under current U.S. law, the Master Fund General Partner believes the Master Fund will be classified and treated as a partnership for U.S. federal income tax purposes, and not as an association taxable as a corporation.

Assuming that the Master Fund is treated as a partnership, each limited partner that has a U.S. permanent establishment, including the Partnership, must include in its own income, its allocable share of Master Fund taxable income, whether or not any cash is distributed. As a result of various limitations imposed by U.S. tax laws, a limited partner may be unable to currently deduct its allocable share of the Services Fee, other Master Fund expenses and capital losses, if any. A limited partner's tax liability with respect to its share of the Master Fund's taxable income may exceed the cash distributions, if any, to such limited partner in a particular year.

#### ***Liability for U.S. State Taxes***

Even if there is no permanent establishment under the Treaty, many U.S. states establish their own rules for subjecting a non-U.S. entity to various types of state taxes. As a result, there is a risk that the affairs and activities of the Partnership and the Master Fund in such states could create a sufficient nexus to such states to be subject to state taxes. Although the Partnership and the Master Fund intend that the affairs and activities of the partnerships will be managed and conducted to avoid being treated as having sufficient nexus for state tax purposes, no assurance can be given that the taxation authority of a state will not find sufficient nexus to subject such entities to state tax. If the Partnership or the Master Fund is treated as having sufficient nexus to a state, it would then be subject to state taxation in a manner similar to the taxation of a U.S. person having nexus to such state. Any U.S. state income, franchise or net worth tax paid by the Partnership would be mitigated by the ability of Canadian taxable Unitholders to claim a foreign tax credit on their Canadian income tax return to the extent there is adequate U.S. source income

to use such foreign tax credit and the Partnership makes the appropriate designations. Any state tax payable would have an adverse effect on the cash flow of the Partnership available for distribution to Unitholders.

#### ***FATCA Withholding Tax and OECD Common Reporting Standard***

Under U.S. withholding tax and reporting requirements, contained in U.S. legislation commonly referred to as the Foreign Account Tax Compliance Act (“**FATCA**”), the Partnership and Manager are “foreign financial institutions” and are required to collect information from Unitholders and directly or indirectly provide that information to the IRS in order to avoid a 30% U.S. withholding tax on the receipt of certain payments of : (1) U.S. source income (such as interest, dividends and other passive income) and (2) gross proceeds from the sale or disposition of property that can produce U.S. source interest or dividends. To achieve the U.S. objectives of FATCA in a manner that is consistent with Canada’s privacy and other laws, Canada enacted Part XVIII of the Tax Act (“**Part XVIII**”) and signed an Intergovernmental Agreement with the U.S. for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention (the “**Canada-U.S. IGA**”) and accordingly, the Partnership and the Manager are generally required to conduct due diligence regarding Unitholders and (where applicable) their beneficial owners, and to annually report to the CRA certain information regarding U.S. Unitholders, including information regarding their name, address, and U.S. taxpayer identification number. Under the Canada-U.S. IGA, the CRA has agreed to provide this information to the IRS. A Canadian financial institution that registers with the IRS and complies with the requisite due diligence and reporting requirements of the Canada-U.S. IGA will generally be relieved from certain provisions that would otherwise have been applicable under FATCA, such as entering into an agreement with the IRS in order to be exempt from the 30% withholding tax, and the obligation to withhold payments to or close accounts of investors who do not provide the required information, provided certain conditions are met.

In addition, Canada has signed the Organisation for Economic Co-operation and Development Multilateral Competent Authority Agreement and Common Reporting Standard (“**CRS**”). The CRS is a global model for the automatic exchange of information on certain financial accounts that is similar in many ways to FATCA. More than 95 countries, including Canada, have agreed to implement the CRS (referred to as “**CRS participating countries**”). Canada has enacted legislation under Part XIX of the Tax Act (“**Part XIX**”), which received royal assent on December 15, 2016, effective as of July 1, 2017, that will require the annual reporting of information to the CRA beginning in May 2018. In addition, the CRA will then proceed to exchange information with those CRS participating countries with which Canada has a tax exchange agreement. Generally, the CRS will require the Partnership and the Manager to identify the tax residency status of, and other information relating to, Unitholders who are resident for tax purposes in any country other than Canada or the U.S.

If a Unitholder does not provide the information required to comply with these obligations under Part XVIII and/or Part XIX, as the case may be, the Unitholder’s Units may be redeemed at the sole discretion of the General Partner. Notwithstanding the foregoing, the Partnership’s and the Manager’s due diligence and reporting obligations under FATCA and CRS will not apply with respect to Registered Plans. If the Manager or the Partnership fails to meet its obligations under Part XVIII and/or Part XIX, as the case may be, it may be subject to the enforcement under the Tax Act.

In order to avoid adverse consequences, the Partnership and the Manager, and any Affiliates to whom FATCA or CRS may apply, intend to comply with FATCA and CRS. The administrative costs arising from compliance with FATCA and CRS may cause an increase in the operating expenses of the Partnership, directly or indirectly, thereby potentially reducing returns to Unitholders. Investors should consult their own tax advisors regarding the possible implications of FATCA, Part XVIII, the Canada-U.S. IGA, CRS and Part XIX on their investment and the entities through which they hold their Units.

#### ***Systems and Operational Risks***

The Master Fund and the Partnership depend on the Manager to develop and implement appropriate systems for the Partnership’s and the Master Fund’s activities. The Partnership and the Master Fund rely heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions and to evaluate investments, to monitor their portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Partnership’s and Master Fund’s activities. In addition, the Partnership and Master Fund rely on information systems to store sensitive information. Certain of the Partnership’s, the Master Fund’s and the Manager’s activities will be dependent upon systems operated by third parties, including the administrators, market counterparties and other service providers, and the Manager may not be in a position to adequately verify the

risks or reliability of such third-party systems. Failures in the systems employed by the Manager, administrators, counterparties, clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Partnership's and the Master Fund's operations or breach of the Partnership's or Master Fund's information systems may cause the them to suffer, among other things, financial loss, the disruption of their businesses, liability to third parties, regulatory penalties or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Partnership or the Master Fund and their limited partners.

### ***Compliance***

The Partnership and the Master Fund must comply with various legal requirements, including requirements imposed by the securities laws, tax laws, lending laws, mortgage brokerage and mortgage banking laws, and pension laws in various jurisdictions. Should any of those laws change, the legal requirements to which the Partnership and the Master Fund, and their partners, may be subject could differ materially from such requirements as at the date hereof.

### ***Reserves***

Under certain circumstances, the Master Fund may find it necessary to establish a reserve for contingent liabilities or impaired Mortgage Loans, or withhold a portion of a limited partner's proceeds at the time of withdrawal. If the reserve is subsequently determined to have been excessive, such excess amount shall be returned to the net assets of the Master Fund, but the amount paid upon a prior withdrawal will not be adjusted. Conversely, if the reserve is subsequently determined to have been insufficient, the net assets of the Master Fund will be used to pay such amounts and the Master Fund may be limited in its right to recover any excess withdrawal proceeds from a limited partner. As the establishment of a reserve impacts the determination of the Master Fund's net asset value, an incorrect reserve will impact the subscription prices for Master Fund Units purchased by the Partnership.

### ***Electronic Delivery of Information***

Partnership information and information with respect to a Unitholder's investment in the Partnership may be delivered to such Unitholder electronically. There are risks associated with such electronic delivery including, but not limited to, that e-mail messages are not secure and may contain computer viruses or other defects, may not be accurately replicated on other systems, or may be intercepted, deleted or interfered with without the knowledge of the sender or the intended recipient.

### ***Cybersecurity Risk***

With the increased use of technologies such as the Internet to conduct business, the Partnership is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Manager's and other service providers (including, but not limited to, accountants, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the ability to value investments, impediments to trading, the inability of Limited Partners to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which the Partnership invests, counterparties with which the Partnership engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for Unitholders) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While the Partnership's service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Partnership cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect the Partnership or Unitholders. The Partnership and its Unitholders could be negatively impacted as a result.

***No Independent Counsel***

No independent legal counsel has been retained to represent the interests of the Unitholders. The Limited Partnership Agreement has not been reviewed by any lawyer on behalf of the Unitholders. Each prospective investor is therefore urged to consult its own counsel as to the terms and provisions of the Partnership Agreement and with regard to all other related documents. Legal counsel to the General Partner and the Manager does not represent any Unitholder in the Partnership.

**CONFLICTS OF INTEREST**

See also: Offering – Connected Issuer.

Various potential conflicts of interest exist between the Partnership and/or the Master Fund, on the one hand, and the General Partner, the Master Fund Manager, the Manager, and the Master Fund General Partner, on the other. These potential conflicts of interest may arise as a result of common ownership/control and certain common directors, officers and personnel and, accordingly, will not be resolved through arm's length negotiations but through the exercise of judgement consistent with fiduciary responsibilities to the Partnership and the Master Fund and their respective unitholders and partners generally.

Each of the Manager, the Master Fund Manager, the General Partner, and the Master Fund General Partner are direct or indirect subsidiaries of Romspen Holdings Inc. 3 of the 4 directors of the Manager hold significant indirect equity interests in, or exercise control and direction over, Romspen Holdings Inc. The directors of the Manager exercise control and direction over Romspen Holdings Inc. Manager is the sole limited partner of Master Fund Manager.

The Partnership relies upon the Manager to manage the business of the Partnership and on the Master Fund Manager to manage the business of the Master Fund and to provide managerial skill. The directors and officers of the Manager and the Master Fund Manager may have a conflict of interest in allocating their time between the respective businesses and interests of the Partnership and the Master Fund and other businesses or projects in which they may become involved. Whenever a conflict of interest arises between the Partnership, on the one hand, and the Manager on the other hand, or between the Master Fund, on the one hand, and the Master Fund Manager, on the other hand, the parties involved, in resolving that conflict or determining any action to be taken or not taken, will be entitled to consider the relative interests of all of the parties involved in the conflict or that will be affected by such action, any customary or accepted industry practices, and such other matters as the parties deem appropriate in the circumstances.

The Manager and the Master Fund Manager, their officers, directors, employees, agents or shareholders and their Affiliates and Associates are not limited or affected in their ability to carry on other business ventures for their own account, or for the account of others, and may be engaged in the development of, investment in, or management of businesses that may compete with the business of the Partnership and the Master Fund. Such other business activities may involve transactions which conflict with the interests of the Partnership and the Master Fund. None of the Partnership or the Master Fund has entered into any non-competition agreements with any Person. Similarly, the Manager and the Master Fund Manager do not have any non-competition agreements with their directors, officers, agents and employees. Accordingly, any one or more of the Manager or the Master Fund Manager and their directors, officers, agents and employees may compete with or otherwise have a conflict of interest in carrying out its obligations to the Partnership or the Master Fund.

As noted under Offering – Connected Issuer, the Manager is a registered exempt market dealer providing Capital Raising Services, including coordinating the distribution of Units in the Offering Jurisdictions, to the Partnership for a fee pursuant to the Capital Raising Agreement calculated with reference to the value of the Partnership's assets. See Capital Raising Agreement.

**CERTIFICATE**

This Offering Memorandum does not contain a misrepresentation.

DATED as of June 1, 2018.

**ROMSPEN US FUND GP INC., in its capacity as general partner of ROMSPEN US MORTGAGE INVESTMENT FUND**

(SIGNED) WESLEY ROITMAN  
Director

(SIGNED) BLAKE CASSIDY  
Director

(SIGNED) MARK HILSON  
Director

## SCHEDULE “A”

### RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Securities laws in certain jurisdictions of Canada provide Subscribers, in addition to any other rights they may have at law, with rights of action for damages or rescission if an offering memorandum, such as this Offering Memorandum, or any amendment to it and, in certain cases, advertising and sales literature used in connection therewith, contains a misrepresentation. However, these rights must be exercised by the Subscriber within the time limits prescribed by the applicable securities laws. Each prospective Subscriber should refer to the provisions of the applicable securities laws for a complete text of these rights and/or consult with a legal advisor.

The following is a summary of the statutory rights of action for damages or rescission available to Subscribers resident in certain provinces and territories. These summaries are subject to the express provisions of the applicable securities laws of such jurisdictions and the regulations, rules and policy statements thereunder, and reference is made thereto for the complete texts of such provisions. The rights of action described below are in addition to, and without derogation from, any other right or remedy that a Subscriber may have under applicable laws.

#### **Statutory Rights of Action**

##### **Subscribers Resident in Alberta in Reliance on the Minimum Amount Investment Exemption**

Alberta Securities Commission Rule 45-511 Local Prospectus Exemptions and Related Requirements provides that the following statutory rights of action apply to information contained in an offering memorandum, such as this Offering Memorandum, that is provided to a Subscriber of securities in respect of a distribution made in reliance only on the “minimum amount investment” exemption in section 2.10 of NI 45-106.

The rights of action for damages or rescission described herein is conferred by section 204 of the *Securities Act* (Alberta) (the “ASA”) and the time limits specified by section 211 of the ASA in which an action to enforce a right under section 204 must be commenced. If this Offering Memorandum, or any amendment to it, provided in connection with a distribution made in reliance on the “minimum amount investment” exemption contains a misrepresentation, a Subscriber resident in Alberta who purchases under such exemption a security offered by this Offering Memorandum: (a) is deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and, in addition to any other rights the Subscriber may have at law, (b) has a right of action for damages against (i) the Partnership, and (ii) each person who signed this Offering Memorandum (each a “**Signatory**” and collectively, the “**Signatories**”). If a Subscriber elects to exercise a right of rescission against the Partnership, the Subscriber will have no right of action for damages against the Partnership or the Signatories.

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

No action may be commenced to enforce either right of action unless the right is exercised:

- (a) in the case of an action for rescission, on notice given to the Partnership not later than 180 days from the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, on notice given to the Partnership not later than the earlier of
  - (i) 180 days from the date the Subscriber first had knowledge of the facts giving rise to the cause of action; or
  - (ii) three years from the date of the transaction that gave rise to the cause of action,

and also provided that:

- (a) the Partnership or a Signatory will not be held liable under this paragraph if the Signatory or the Partnership proves the defendant purchased the Units with knowledge of the misrepresentation;



- (b) in an action for damages, the Partnership or the Signatory will not be liable for all or any portion of those damages that they prove do not represent the depreciation in value of the Units as a result of the misrepresentation; and
- (c) in no case will the amount recoverable under this paragraph exceed the price at which the Units were sold to the Subscriber.

### **Subscribers Resident in Manitoba**

In the event that this Offering Memorandum, or any amendment hereto, contains a misrepresentation and it is a misrepresentation at the time of purchase, the Subscriber shall be deemed to have relied upon the misrepresentation and shall have, in addition to any other rights the Subscriber may have at law: (a) a right of action for damages against (i) the Partnership, (ii) every director of the General Partner at the date of the Offering Memorandum (each a “**Director**” and collectively, the “**Directors**”), and (iii) every Signatory; and (b) a right of rescission against the Partnership. If a Subscriber elects to exercise a right of rescission against the Partnership, the Subscriber will have no right of action for damages against the Partnership, the Directors or the Signatories.

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

The Partnership, the Directors and the Signatories will not be liable if they prove that the Subscriber purchased the Units with knowledge of the misrepresentation.

All of the Partnership, the Directors and the Signatories that are found to be liable or accept liability are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable. Directors or Signatories will not be liable:

- (a) if they prove the Offering Memorandum was sent to the Subscriber without their knowledge or consent and, after becoming aware that it was sent, promptly gave reasonable notice to the Partnership that it was delivered without their knowledge and consent;
- (b) if they prove that, after becoming aware of a misrepresentation in the Offering Memorandum they withdrew their consent to the Offering Memorandum and gave reasonable notice to the Partnership of their withdrawal and the reasons therefor;
- (c) if, with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert (“**Expert Opinion**”), if they prove they did not have any reasonable grounds to believe and did not believe that there was a misrepresentation or that the relevant part of the Offering Memorandum did not fairly represent the Expert Opinion or was not a fair copy of, or an extract from, such Expert Opinion; or
- (d) with respect to any part of the Offering Memorandum not purporting to be made on an expert’s authority, or not purporting to be a copy of, or an extract from an Expert Opinion, unless the Director or Signatory (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.

A person or company is not liable in an action for a misrepresentation in forward-looking information if the person or company proves that this Offering Memorandum contained, proximate to that 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 the material factors or assumptions that were applied in drawing the conclusion or making the forecast

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

In an action for damages, the Partnership, the Directors and the Signatories will not be liable for all or any part of the damages that they prove do not represent the depreciation in value of the Units as a result of the misrepresentation. The amount recoverable under the right of action shall not exceed the price at which the Units were offered under this Offering Memorandum.

A Subscriber of Units to whom the Offering Memorandum was required to be sent in compliance with the regulations respecting an offering memorandum but was not sent within the time prescribed for sending the Offering Memorandum by those regulations, has a right of action for rescission or damages against the Partnership or any dealer who did not comply with the requirement.

A Subscriber to whom the Offering Memorandum is required to be sent may rescind the contract to purchase the Units by sending a written notice of rescission to the Partnership not later than midnight on the second day, excluding Saturdays and holidays, after the Subscriber signs the Subscription Agreement to purchase the Units.

Unless otherwise provided under applicable securities laws, no action shall be commenced to enforce a right of action unless the right is exercised:

- (a) in the case of rescission, not later than 180 days from the day of the transaction that gave rise to the cause of action; or
- (b) in the case of an action, other than an action for rescission, the earlier of (i) 180 days from the day the Subscriber first had knowledge of the facts giving rise to the cause of action; and (ii) two years from the day of the transaction that gave rise to the cause of action.

### **Subscribers Resident in New Brunswick**

New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action for rescission or damages referred to in section 150 (“**Section 150**”) of the *Securities Act* (New Brunswick) (the “**NBSA**”) apply to information relating to an offering memorandum, such as this Offering Memorandum, that is provided to a Subscriber of securities in connection with a distribution made in reliance on the “accredited investor” prospectus exemption in section 2.3 of NI 45-106. Section 150 provides Subscribers who purchase securities offered for sale in reliance on an exemption from the prospectus requirements of the NBSA with a statutory right of action against the issuer of securities for rescission or damages in the event that an offering memorandum provided to the Subscriber contains a “misrepresentation”. In New Brunswick, “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 a statement not misleading in the light of the circumstances in which it was made.

Where this Offering Memorandum is delivered to a prospective Subscriber of Units in connection with a trade made in reliance on section 2.3 of NI 45-106, and this Offering Memorandum contains a misrepresentation, a Subscriber who purchases Units will be deemed to have relied on the misrepresentation and will have, subject to certain limitations and defences, a statutory right of action against the Partnership for damages or, while still the owner of Units, for rescission, in which case, if the Subscriber elects to exercise the right of rescission, the Subscriber will have no right of action for damages, provided that the right of action for rescission will be exercisable by the Subscriber only if the Subscriber commences an action against the defendant, not more than 180 days after the date of the transaction that gave rise to the cause of action, or, in the case of any action other than an action for rescission, the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

The Partnership shall not be liable where it is not receiving any proceeds from the distribution of the Units being distributed and the misrepresentation was not based on information provided by the Partnership unless the misrepresentation (i) was based on information that was previously publicly disclosed by the Partnership, (ii) was a misrepresentation at the time of its previous public disclosure, and (iii) was not subsequently publicly corrected or superseded by the Partnership before the completion of the distribution of the Units being distributed.

In addition, if advertising or sales literature is relied upon by a Subscriber in connection with a purchase of Units and such advertising or sales literature contains a misrepresentation, the Subscriber shall also have a right of action for damages or rescission against every promoter or Director at the time the advertising or sales literature was disseminated.

In addition, where an individual makes a verbal statement to a prospective Subscriber that contains a misrepresentation relating to the Units and the verbal statement is made either before or contemporaneously with the purchase of the Units, the Subscriber shall be deemed to have relied upon the misrepresentation if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement. No such individual will be liable if:

- (a) that individual can establish that he or she cannot reasonably be expected to have known that his or her statement contained a misrepresentation; or
- (b) prior to the purchase of Units by the Subscriber, that individual notified the Subscriber that the individual's statement contained a misrepresentation.

Neither the Partnership nor any other person referred to above will be liable, whether for misrepresentations in this Offering Memorandum, any advertising or sales literature or in a verbal statement:

- (a) if the Partnership or such other person proves that the Subscriber purchased the Units with knowledge of the misrepresentation; or
- (b) in an action for damages, for all or any portion of the damages that the Partnership or such other person proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied on.

No person, other than the Partnership, is liable for misrepresentations in any advertising or sales literature if the person proves:

- (a) that the advertising or sales literature was disseminated without the person's knowledge or consent and that, on becoming aware of its dissemination, the person gave reasonable general notice that it was so disseminated,
- (b) that, after the dissemination of the advertising or sales literature and before the purchase of the Units by the Subscriber, on becoming aware of any misrepresentation in the advertising or sales literature the person withdrew the person's consent to it and gave reasonable general notice of the withdrawal and the reason for the withdrawal, or
- (c) that, with respect to a false statement purporting to be a statement made by an official person or contained in what purports to be a copy of, or an extract from, a public official document, it was a correct and fair representation of the statement or copy of, or extract from, the document, and the person had reasonable grounds to believe and did believe that the statement was true.

No person, other than the Partnership, is liable with respect to any part of the advertising or sales literature not purporting to be made on the authority of an expert and not purporting to be a copy of or, an extract from, a report, opinion or statement of an expert unless the person:

- (a) failed to conduct such reasonable investigation as to provide reasonable grounds for a belief that there had been no misrepresentation, or
- (b) believed there had been a misrepresentation.

Any person who, at the time the advertising or sales literature was disseminated, sells Units on behalf of the Partnership with respect to which the advertising or sales literature was disseminated is not liable if that person can

establish that the person cannot reasonably be expected to have had knowledge that the advertising or sales literature was disseminated or contained a misrepresentation.

In no case will the amount recoverable for the misrepresentation exceed the price at which the Units were offered.

This summary is subject to the express provisions of the NBSA and the regulations and rules made under it, and prospective Subscribers should refer to the complete text of those provisions.

### **Subscribers Resident in Newfoundland and Labrador**

The right of action for damages or rescission described herein is conferred by section 130.1 of the *Securities Act* (Newfoundland and Labrador) (the “**NL Act**”). The NL Act provides, in the relevant part, that where an offering memorandum, such as this Offering Memorandum, contains a misrepresentation, as defined in the NL Act, a Subscriber who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the Subscriber relied upon the misrepresentation, (a) a statutory right of action for damages against (i) the Partnership, (ii) every Director at the date of the offering memorandum, and (iii) every person or the Partnership who signed the offering memorandum; and (b) for rescission against the Partnership.

The NL Act provides a number of limitations and defences in respect of such rights. Where a misrepresentation is contained in an offering memorandum, a person or company shall not be liable for damages or rescission:

- (a) where the person or company proves that the Subscriber purchased the Units with knowledge of the misrepresentation;
- (b) where the person or company proves that the offering memorandum was sent to the Subscriber without the person’s or company’s knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Partnership that it was sent without the knowledge and consent of the person or company;
- (c) if the person or the Partnership proves that the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person’s or company’s consent to the offering memorandum and gave reasonable notice to the Partnership of the withdrawal and the reason for it;
- (d) if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
  - (i) there had been a misrepresentation; or
  - (ii) the relevant part of the offering memorandum:
    - (A) did not fairly represent the report, opinion or statement of the expert; or
    - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (e) with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company:
  - (i) 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 the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the Units as a result of the misrepresentation; and
- (g) in no case will the amount recoverable in any action exceed the price at which the Units were offered under the offering memorandum.

Section 138 of the NL Act provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
  - (i) 180 days after the date that the Subscriber first had knowledge of the facts giving rise to the cause of action; or
  - (ii) three years after the date of the transaction that gave rise to the cause of action.

This summary is subject to the express provisions of the NL Act and the regulations and rules made under it, and prospective Subscriber should refer to the complete text of those provisions.

### **Subscribers Resident in Nova Scotia**

The right of action for rescission or damages described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) (the “NSSA”). Section 138 provides, in the relevant part, that in the event that an offering memorandum, such as this Offering Memorandum, together with any amendments hereto, or any advertising or sales literature (as defined in the NSSA) contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statements contained herein or therein not misleading in light of the circumstances in which it was made (in Nova Scotia, a “misrepresentation”), a Subscriber of securities is deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the Partnership offering such securities, the Directors at the date of the offering memorandum and the persons who have signed the offering memorandum or, alternatively, while still the owner of such securities, may elect instead to exercise a statutory right of rescission against the Partnership, in which case the Subscriber will have no right of action for damages against the Partnership, the Directors at the date of the offering memorandum or the persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no action shall be commenced to enforce the right of action for rescission or damages by a Subscriber resident in Nova Scotia later than 120 days after the date payment was made for the securities (or after the date on which initial payment was made for the securities where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment);
- (b) no person will be liable if it proves that the Subscriber purchased the securities with knowledge of the misrepresentation;
- (c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities; and
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the Subscriber.

In addition, no person or company (other than the issuer if it is the Partnership) will be liable if such person or company proves that:

- (a) the offering memorandum or the amendment to the offering memorandum was sent or delivered to the Subscriber 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;
- (b) after delivery of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the Subscriber, on becoming aware of any misrepresentation in the offering memorandum, or amendment to the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum, or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting
  - (i) to be made on the authority of an expert, or
  - (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that
    - (A) there had been a misrepresentation, or
    - (B) the relevant part of the offering memorandum or amendment to the 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.

Furthermore, no person or company (other than the issuer if it is the Partnership) will be liable under section 138 of the NSSA with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting:

- (a) to be made on the authority of an expert; or
- (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company;
  - (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
  - (ii) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, the offering memorandum or amendment to the offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum or amendment to the offering memorandum.

The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

This summary is subject to the express provisions of the NSSA and the regulations and rules made under it, and prospective Subscribers should refer to the complete text of those provisions.

### **Subscribers Resident in Ontario**

Securities laws of Ontario provide that, subject to the following paragraph, a Subscriber resident in Ontario shall have, in addition to any other rights the Subscriber may have at law, a right of action for damages or rescission against the Partnership and a selling security holder on whose behalf the distribution is made if an offering memorandum, such as this Offering Memorandum, contains a “misrepresentation” (for the purposes of this section, as defined in the *Securities Act* (Ontario)) (the “OSA”), without regard to whether the Subscriber relied on the misrepresentation. Subscribers should refer to the applicable provisions of the Ontario securities laws for particulars of these rights or consult with a lawyer.

OSC Rule 45-501 Ontario Prospectus and Registration Exemptions provides that, when an offering memorandum is delivered to a prospective Subscriber in connection with a distribution made in reliance on the “accredited investor” prospectus exemption in section 2.3 of NI 45-106, the rights of action referred to in section 130.1 of the OSA (“Section 130.1”) will apply in respect of the offering memorandum unless the prospective Subscriber is:

- (a) a Canadian financial institution, meaning either:
  - (i) an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or
  - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- (b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the Bank Act (Canada);
- (c) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (d) a subsidiary of any person referred to in paragraphs (a), (b) and (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary.

Subject to the foregoing, Section 130.1 of the OSA provides a Subscriber who purchases Units offered by this Offering Memorandum during the period of distribution with a statutory right of action for damages or rescission against the Partnership and a selling security holder on whose behalf the distribution is made in the event that the Offering Memorandum or any amendment to it contains a “misrepresentation”, without regard to whether the Subscriber relied on the misrepresentation. A “misrepresentation” is defined in the OSA as an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it is made. A “material fact”, when used in relation to securities issued or proposed to be issued, is defined in the OSA as a fact that would be reasonably expected to have a significant effect on the market price or value of the securities. In the event that this Offering Memorandum, together with any amendment to it, is delivered to a Subscriber of Units and this Offering Memorandum contains a misrepresentation which was a misrepresentation at the time of purchase of the Units, the Subscriber will have statutory right of action for damages against the Partnership and a selling security holder on whose behalf the distribution is made or, while still the owner of the Units, for rescission against the Partnership and a selling security holder on whose behalf the distribution is made, in which case, if the Subscriber elects to exercise the right of rescission, the Subscriber will have no right of action for damages against the Partnership and a selling security holder on whose behalf the distribution is made, provided that:

- (a) no action shall be commenced more than, in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of (i) 180 days after the Subscriber first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action;
- (b) no person or company will be liable if he, she or it proves that the Subscriber purchased the Units with knowledge of the misrepresentation;
- (c) in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon;
- (d) no person or company will be liable for a misrepresentation in “forward-looking information” (as defined in the OSA) if he, she or it proves that:
  - the 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 set out 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
  - it had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
- (e) in no case will the amount recoverable exceed the price at which the Units were offered to the Subscriber; and
- (f) the right of action for damages or rescission is in addition to, and does not derogate from, any other right or remedy the Subscriber may have at law.

### **Subscribers Resident in Prince Edward Island**

The right of action for rescission or damages described herein is conferred by section 112 of the *Securities Act* (Prince Edward Island) (the “**PEI Act**”). Section 112 provides, that in the event that an offering memorandum, such as this Offering Memorandum, contains a “misrepresentation”, a Subscriber who purchased securities during the period of distribution, without regard to whether the Subscriber relied upon such misrepresentation, has a statutory right of action for damages against the Partnership, the selling security holder on whose behalf the distribution is made, every Director at the date of the offering memorandum, and every person who signed the offering memorandum. Alternatively, the Subscriber while still the owner of Units may elect to exercise a statutory right of action for rescission against the Partnership or the selling security holder on whose behalf the distribution is made. Under the PEI Act, “misrepresentation” means an untrue statement of material fact, or an omission to state a material fact that is required to be stated by the PEI Act, or an omission to state a material fact that needs to be stated so that a statement is not false or misleading in light of the circumstances in which it is made. Statutory rights of action for rescission or damages by a Subscriber are subject to the following limitations:

- (a) no action shall be commenced to enforce the right of action for rescission by a Subscriber resident in Prince Edward Island, later than 180 days after the date of the transaction that gave rise to the cause of action;
- (b) in the case of any action other than an action for rescission;



- (i) 180 days after the Subscriber first had knowledge of the facts given rise to the cause of action; or
- (ii) three years after the date of the transaction giving rise to the cause of action or whichever period expires first;
- (c) no person will be liable if the person proves that the Subscriber purchased the Units with knowledge of the misrepresentation;
- (d) no person other than the Partnership and selling security holder will be liable if the person proves that
  - (i) the offering memorandum was sent to the Subscriber without the person's knowledge or consent and that, on becoming aware of it being sent, the person had promptly given reasonable notice to the Partnership that it had been sent without the knowledge and consent of the person;
  - (ii) the person, on becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the Partnership of the withdrawal and the reason for it; or
  - (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that;
    - (A) there had been a misrepresentation; or
    - (B) the relevant part of the offering memorandum:
      - (I) did not fairly represent the report, statement or opinion of the expert, or
      - (II) was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.

If the Subscriber elects to exercise a right of action for rescission, the Subscriber will have no right of action for damages.

In no case will the amount recoverable in any action exceed the price at which the Units were offered to the Subscriber.

In an action for damages, the defendant will not be liable for any damages that the defendant proves do not represent the depreciation in value of the Units as a result of the misrepresentation.

This summary is subject to the express conditions of the PEI Act and the regulations and rules made under it, and prospective Subscribers should refer to the complete text of those provisions.

### **Subscribers Resident in Saskatchewan**

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "SSA"), provides that where an offering memorandum, such as this Offering Memorandum, or any amendment to it is sent or delivered to a Subscriber and it contains a misrepresentation (for the purposes of this section, as defined in the SSA), a Subscriber who purchases securities covered by the offering memorandum or any amendment to it has, without regard to whether the

Subscriber relied on the misrepresentation, a right of action for rescission against the Partnership or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

- (a) the Partnership or a selling security holder on whose behalf the distribution is made;
- (b) every promoter and Director or the selling security holder, as the case may be, at the time of the offering memorandum or any amendment to it was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- (e) every person who or company that sells Units on behalf of the Partnership or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the Subscriber elects its right of rescission against the Partnership or selling security holder, it shall have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Units resulting from the misrepresentation relied on;
- (c) no person or company, other than the Partnership or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed there had been a misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the Units were offered; and
- (e) no person or company is liable in action for rescission or damages if that person or company proves that the Subscriber purchased the Units with knowledge of the misrepresentation.

In addition, no person or company, other than the Partnership or selling security holder, will be liable in an action pursuant to section 138 of the SSA if the person or company proves that:

- (a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company immediately gave reasonable general notice that it was so sent or delivered; or
- (b) with respect to any part of the offering memorandum or any amendment to it purporting a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment to it 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.

In addition, no person or company will be liable in an action pursuant to section 138 of the SSA if that person or company proves that in respect of a misrepresentation in forward looking information (as defined in the SSA), such

person or company proves that with respect to the document containing the forward looking information, approximate to that information, there is contained 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 the person or company had a reasonable basis for drawing the conclusions or making the forecast and projections set out in the forward looking information.

Similar rights of action for damages and rescission are provided in section 138.1 of the SSA in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Subsection 138.2(1) of the SSA also provides that where an individual makes a verbal statement to a prospective Subscriber that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the Subscriber has, without regard to whether the Subscriber relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

Subsection 141(1) of the SSA provides a Subscriber with the right to void the Subscription Agreement and to recover all money and other consideration paid by the Subscriber for the securities if the securities are sold by a vendor who is trading in Saskatchewan in contravention of the SSA, the regulations to the SSA or a decision of the Saskatchewan Financial Services Commission.

Subsection 141(2) of the SSA also provides a right of action for rescission or damages to a Subscriber of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the Subscriber enters into an agreement to purchase the securities, as required by section 80.1 of the SSA.

Not all defences upon which the Partnership or others may rely are described herein. Please refer to the full text of the SSA for a complete listing.

Section 147 of the SSA provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of:
  - (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
  - (ii) six years after the date of the transaction that gave rise to the cause of action. Section 80.1 of the SSA also provides a Subscriber who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the SSA with a right to withdraw from the agreement to purchase Units by delivering a notice to the person who or company that is selling the Units, indicating the Subscriber's intention not to be bound by the Subscription Agreement, provided such notice is delivered by the Subscriber within two business days of receiving the amended offering memorandum.

### **Subscribers Resident in Northwest Territories, Nunavut or the Yukon**

If this Offering Memorandum, or any amendments thereto, delivered to a Subscriber of Units resident in the Northwest Territories, Nunavut or the Yukon contains a misrepresentation, a Subscriber in such jurisdictions who purchases the Units during the period of distribution has, without regard to whether the Subscriber relied on the misrepresentation, a statutory right of action for damages against (i) the Partnership, (ii) the selling security holder on whose behalf the distribution was made, (iii) every Director at the date of the Offering Memorandum, and (iv)

every person who signed the Offering Memorandum. Alternatively, the Subscriber may elect to exercise a statutory right of action for rescission against the Partnership or the selling security holder on whose behalf the distribution was made, in which case, the Subscriber shall have no right of action for damages against the Partnership, the selling security holder, the Directors and persons who signed the Offering Memorandum. If a misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an Offering Memorandum, or any amendments thereto, the misrepresentation is deemed to be contained in the Offering Memorandum, or any amendments thereto, as the case may be.

All or any one or more of the persons who are found to be liable, or who accept liability, for a misrepresentation will be jointly and severally liable; provided, however, that the Partnership, and every Director at the date of the Offering Memorandum who is not a selling security holder, will not be liable if the Partnership does not receive any proceeds from the distribution of the Units and the misrepresentation was not based on information provided by the Partnership, unless the misrepresentation was:

- (a) based on information that was previously publicly disclosed by the Partnership;
- (b) a misrepresentation at the time of its previous disclosure; and
- (c) not subsequently publicly corrected or superseded by the Partnership before completion of the distribution of the Units.

Any person, including the Partnership and the selling security holder, will not be liable for a misrepresentation:

- (a) if the person proves that the Subscriber purchased the Units with knowledge of the misrepresentation; or
- (b) in an action for damages, the person will not be liable for all or any part of those damages that the person proves do not represent the depreciation in value of the Units as a result of the misrepresentation; and
- (c) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the Subscriber.

A person, other than the Partnership and the selling security holder, will not be liable in an action for damages for a misrepresentation:

- (a) if the person proves that the Offering Memorandum, or any amendments thereto, was sent to the Subscriber without the person's knowledge or consent and that, on becoming aware of its being sent, the person promptly gave reasonable notice to the Partnership that it was sent without the knowledge and consent of the person;
- (b) if the person proves that the person, on becoming aware of the misrepresentation in the Offering Memorandum, or any amendments thereto, withdrew the person's consent to the Offering Memorandum, or any amendments thereto, and gave reasonable notice to the Partnership of the withdrawal and the reason for it; or
- (c) if, with respect to any part of the Offering Memorandum, or any amendments thereto, purporting to be made on the authority of an expert or purporting to be a copy of, or any extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that
  - (i) there had been a misrepresentation, or

- (ii) the relevant part of the Offering Memorandum, or any amendments thereto, (A) did not fairly represent the report, statement or opinion of the expert, or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

In addition, a person, other than the Partnership and the selling security holder, will not be liable in an action for damages for a misrepresentation with respect to any part of an Offering Memorandum, or any amendments thereto, not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person:

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
- (b) believed that there had been a misrepresentation.

Any person, including the Partnership and the selling security holder, will not be liable for a misrepresentation in forward-looking information (as defined in the *Securities Act* (Northwest Territories), the *Securities Act* (Nunavut) or the *Securities Act* (Yukon)) if the person proves that:

- (a) the Offering Memorandum, any amendments thereto, or other document contained, proximate to the forward-looking information, (A) reasonable cautionary language identifying the forward-looking information as such, and (B) identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information,
- (b) 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
- (c) the person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information;

provided, however, that the foregoing does not relieve a person of liability with respect to forward-looking information in a financial statement required to be filed under the securities laws of the Northwest Territories, Nunavut or the Yukon.

No action shall be commenced to enforce a right of action more than,

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action, other than an action for rescission, the earlier of,

180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or

three years after the date of the transaction that gave rise to the cause of action.

### **Other Rescission Rights**

In certain provinces a Subscriber of Units may, where the amount of the purchase does not exceed the sum of \$50,000, rescind the purchase by written notice given to the registered dealer from whom the purchase was made (i) within 48 hours after receipt of the confirmation for a lump sum purchase, or (ii) within 60 days after receipt of the confirmation for the initial payment under a contractual plan. Subject to the registered dealer's reimbursement of sales charges and fees to the Subscriber as described below, the amount a Subscriber is entitled to recover on exercise of this right to rescind shall not exceed the net asset value of the Units purchased, at the time the right is exercised. The right to rescind a purchase made under a contractual plan may be exercised only with respect to payments scheduled to be made within the time specified above for rescinding a purchase made under a contractual

plan. Every registered dealer from whom the purchase was made must reimburse the Subscriber who has exercised this right of rescission for the amount of sales charges and fees relevant to the investment of the Subscriber in the Partnership in respect of the Units for which the written notice of the exercise of the right of rescission was given.

Subscribers must exercise these rights within the prescribed time limits under applicable securities legislation. Subscribers should refer to the applicable provisions of the securities legislation in their province of residence to determine whether they have similar rescission rights or consult with their legal advisor for more details.

### **Contractual Rights of Action**

#### **Subscribers Resident in British Columbia or Québec or Subscribers Resident in Alberta in Reliance on the “Accredited Investor” Exemption**

If this Offering Memorandum, or any amendments thereto, contains a misrepresentation, a Subscriber resident in British Columbia or Québec who purchased Units under this Offering Memorandum, or a Subscriber resident in Alberta who purchased Units under this Offering Memorandum in reliance on the “accredited investor” exemption under NI 45-106, will not be entitled to the statutory rights of action described above. However, in consideration of purchasing Units under this Offering Memorandum and upon acceptance by the General Partner of the Subscriber’s subscription in respect thereof, Subscribers in those jurisdictions are hereby granted a contractual right of action for damages or rescission that is the same as the statutory rights of action described above provided to Subscribers resident in Ontario under the OSA.