

This offering memorandum (“Offering Memorandum”) has been prepared solely for the purpose of assisting prospective purchasers in making an investment decision with respect to units (“Units”) of YTM Capital Mortgage Income Fund (the “Fund”). 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 and registration 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 - Redemption of Units”)

The Units have not been registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”). Prospective purchasers of Units agree, for the benefit of the Fund, that Units may be offered, sold or otherwise transferred only (a) to the Fund; (b) outside the United States in accordance with Rule 904 of regulations under the U.S. Securities Act; (c) in accordance with the exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder, if available, and in compliance with any applicable state securities laws; or (d) in a transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws, and, in the case of paragraph (c) or (d), the Fund receives an opinion of counsel of recognized standing in form and substance satisfactory to the Fund to such effect.

OFFERING MEMORANDUM

Continuous Offering

June 30, 2021



YTM CAPITAL MORTGAGE INCOME FUND

OFFERING PRICE: Net Asset Value per Unit of the Class A, Class F and Class I Units

Minimum Subscription: \$25,000
subject to compliance with securities laws and the Fund Manager’s discretion

YTM Capital Mortgage Income Fund is offering on a private placement basis Units of the Fund at a price equal to the Class NAV per Unit (as defined herein) for each Class (as defined herein) (the “**Offering**”). Each Unit represents an undivided beneficial interest in the assets of the Fund, which will principally be comprised of indirect interests in Mortgage (as herein defined) loans. See “The Fund”.

The Offering is being made to Canadian residents in reliance on certain exemptions to the prospectus requirements under the applicable securities laws of the provinces and territories of Canada. **As a result, the Units will be subject to the applicable resale restrictions under the said laws.** As at the date of this Offering Memorandum, the Offering is also being made in reliance on certain exemptions to the registration requirements under the applicable securities laws of the Provinces and Territories of Canada. There are certain risk factors inherent in an investment in the Units and in the activities of the Fund. See “Risk Factors”.

The Fund has been established as an open-end mutual fund trust under the laws of the Province of Ontario on February 28, 2011. The Fund is governed by a declaration of trust, as the same may be amended from time to time (the “**Declaration of Trust**”). Mr. Daniel Child is the trustee of the Fund (the “**Trustee**”) and YTM Capital Asset Management Ltd. (“**YTM Capital**”), a registered portfolio manager, exempt market dealer and investment fund manager, is the manager of the Fund (the “**Fund Manager**”). In the event of any conflict or inconsistency between the Declaration of Trust and this Offering Memorandum, the provisions of the Declaration of Trust shall govern. A copy of the Declaration of Trust is available from the Fund Manager upon request in writing, by calling **1(833) 828-4098**, or by e-mail at info@ytmcapital.com. The head office of the Fund Manager and the Fund is located at 295 Robinson Street, Suite 202, Oakville, ON, L6J 1G7.

The objectives of the Fund are to:

- (a) Invest in Mortgages and other Authorized Investments (as defined herein) with capital preservation as the main investment criteria;
- (b) Invest in a diversified pool of Mortgages and other Authorized Investments to achieve stable, above average returns for short term secured investments; and
- (c) Provide stable monthly Distributions (as defined herein) to Unitholders.

The Fund Manager will invest in Mortgages (the “**Mortgage Portfolio**”) it deems to be of high quality, in market segments which are under-served by large financial service providers. The Fund makes monthly cash Distributions to holders of Units of the Fund (“**Unitholders**”) based on returns from the Mortgage Portfolio and, in the ordinary course, distributes all of the Distributable Cash (as defined herein) of the Fund calculated as described under “Description of Units – Distribution Policy”. It is important that subscribers for Units (“**Subscribers**”) consider the 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 Fund is not a trust company and does not carry on business as a trust company and, accordingly, the Fund is not registered under applicable legislation governing trust companies in any jurisdiction. 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.

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 Trustee to close the subscription books at any time without notice. Closings will be held from time to time as determined by the Trustee. **Subscribers will have two Business Days (as defined herein) 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.** See “Subscription Procedure” 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 Trustee in writing, and no other information or representation is authorized or may be relied upon as having been authorized by the Trustee or the Fund. 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 Fund 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.

This Offering Memorandum is confidential. By their receipt hereof, prospective Subscribers agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein.

TABLE OF CONTENTS

DISCLAIMERS.....	2
SUMMARY OF THE OFFERING.....	6
Significant Parties	6
The Offering.....	6
DEFINITIONS.....	10
THE FUND	15
INDUSTRY OVERVIEW.....	15
Pre-Development Mortgages.....	16
Construction Mortgages	16
Term Financing Mortgages	16
INVESTMENT OBJECTIVES AND STRATEGY.....	16
Borrowing Strategy	17
Syndication Strategy	17
Risk Management	17
Development and Maintenance of the Mortgage Portfolio	18
Mortgage Investment Opportunity Sources	18
Investment Process.....	19
Management Biographies.....	20
Foreclosure and Related Costs	21
Risks Related to Mortgage Defaults.....	21
Investment Guidelines and Restrictions	22
Operating Policies	23
Amendments to Operating Policies	23
Collection Activities.....	24
LICENSING AND LEGISLATIVE REGIME	24
MANAGEMENT OF THE FUND.....	25
Overview	25
The Fund Manager	25
FEES AND EXPENSES.....	27
OFFERING.....	29
The Offering.....	29
Use of Proceeds.....	29
Eligible Subscribers for Units	29
Ineligible Subscribers for Units.....	30
Plan of Distribution	30
SUBSCRIPTION PROCEDURE	30
DESCRIPTION OF UNITS.....	31
Nature of Units.....	31

Redemption of Units	32
Unitholder Liability and Indemnity	33
Distribution Policy	34
Additional Distributions	34
Payment of Distributions	35
Calculation of Class NAV per Unit	35
Publication of Class NAV Per Unit	36
Withholding Taxes	36
Encroachment on Capital	36
Meetings of Unitholders	36
Amendments to the Declaration of Trust	36
Record Dates	38
Proxies	38
Financial Statements and Tax Information	38
Appointment of Inspector	38
Notice to Unitholders	39
Unit Certificates	39
Register of Unitholders	39
Transfer Agents and Registrars	39
Transfer of Units	40
Successors in Interest of Unitholders	40
Units Held Jointly or in Fiduciary Capacity	40
Lost Certificates	40
Death of Unitholders	41
Unclaimed Interest, Dividends or Distributions	41
Notice to Unitholders of Non-Eligibility for Exempt Plans	41
Declaration as to Beneficial Owner	41
Termination of the Fund	41
Reporting Obligations of the Fund	42
RESALE RESTRICTIONS	42
YTM CAPITAL POLICIES	42
RISK FACTORS	44
Market for the Units	44
No Assurance in Achieving Investment Objectives or Making Distributions	44
The Units Are Not Insured	44
Custody of Fund Assets	44
Unitholder Liability	44
History of Operation	45
Reliance on Trustee	45

No Guaranteed Return.....	46
Changes in the Economy and Credit Markets	46
Nature of the Investments	46
Availability of Investments	47
Limited Sources of Borrowing	47
Renewal of Mortgages and Variable Interest Rates	47
Composition of the Mortgage Portfolio	47
Failure to Meet Commitments.....	47
Competition.....	48
Environmental and Other Regulatory Matters	48
Knowledge and Expertise of the Fund Manager	48
Conflicts of Interest.....	48
INCOME TAX CONSIDERATIONS FOR INVESTORS	49
General.....	49
Taxation of the Fund.....	50
Taxation of Unitholders	50
RIGHTS OF ACTION FOR DAMAGES OR RESCISSION	51
MATERIAL AGREEMENTS.....	61

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 Canadian dollars.

Significant Parties

Issuer	YTM Capital Mortgage Income Fund is an open-end mutual fund trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The head office of the Fund is located at: 295 Robinson Street, Suite 202, Oakville, ON, L6J 1G7.
Trustee	The Trustee of the Fund is Daniel Child.
Fund Manager	YTM Capital is led by an experienced investor, Daniel Child. David Burbach, an experienced investment management executive, and Karl Burnham, an experienced fixed-income portfolio manager, are also principals of YTM Capital. YTM Capital is focused on providing conservatively-managed, private investment opportunities to institutions, funds, investment advisors and qualified individuals.

The Offering

Offering	Class A, Class F and Class I Units in the Fund.
Minimum Subscription	Investors must subscribe for not less than \$25,000 of Units with a minimum subsequent investment of \$5,000. The Fund reserves the right to waive the minimum investment requirement in certain circumstances, subject to compliance with regulatory requirements.
Price	Class NAV per Unit.
Attributes of Units	The Units represent the beneficial ownership interests of the holders thereof in the Fund. Each Unit carries one vote at meetings of Unitholders and a holder thereof is entitled to Distributions as described under “Description of Units – Distribution Policy”.
Use of Proceeds	All proceeds from the Offering will be used by the Fund to acquire Mortgages and other Authorized Investments.
Payment Terms	Subscribers may subscribe for Units in the Offering by delivering an executed subscription agreement in the form provided with this Offering Memorandum and a certified cheque or bank draft made payable to “YTM Capital Mortgage Income Fund” in the amount of the subscription price for the Units or an irrevocable direction to a financial institution to deliver to the Fund full payment for the Units upon delivery of certificates representing such Units to the financial institution or to the Subscriber.

Investment Objectives, Strategies, and Investor Suitability

- | | |
|------------------------------|--|
| Investment Objectives | <ul style="list-style-type: none">(a) Invest in Mortgages and other Authorized Investments with capital preservation as the main investment criteria.(b) Invest in a diversified pool of Mortgages and other Authorized Investments to achieve stable, above average returns for short term secured investments.(c) Provide stable monthly Distributions to Unitholders. |
|------------------------------|--|

Investment Strategies

The investment strategy of the Fund is to invest in a diversified portfolio of Mortgages, directly or indirectly secured by residential, office, industrial and retail real properties, and other Authorized Investments. The properties will typically be invested in more than one geographic region, with the focus on urban areas and their surroundings. The Mortgage Portfolio may also include Mortgages in the United States.

Prior to investing, the Fund Manager undertakes a rigorous vetting process, including asset valuations performed by professional appraisers and/or real estate professionals (including detailed written reports). The Fund Manager will gain a thorough understanding of the mortgage applicant's exit/re-financing strategy and will perform an in-depth review of an applicant's credit history and existing asset encumbrances. The Fund will also partner with well-respected and competent professionals in all key areas.

The focus of the Fund Manager is on short term loans with low loan to value ratios.

Investor Suitability

The Fund is suitable for investors who are seeking to preserve capital and earn stable income and who are comfortable with a low to medium amount of risk. See "Investment Risk Classification" for more information. Investors in the Fund should have a long-term investment horizon.

Service Providers

Administrative Services Agent

SGGG Fund Services Inc. (the "**Administrative Services Agent**") acts as transfer agent, registrar, fund accountant, and has legal control over the Fund's cash.

Prime Broker

BMO Nesbitt Burns Inc. ("**BMO**") acts a prime broker and custodian to the Fund in the context of holding securities issued by securitization vehicles.

Auditor

PricewaterhouseCoopers LLP is the Fund's auditor.

Distributions, Redemptions and Termination

Distributions

The Fund will make Distributions to the Unitholders if, as and when declared by the Trustee. The Trustee currently intends that the Fund will make monthly Distributions to Unitholders, at the discretion of the Trustee.

Redemptions

Units may be redeemed by presentation by the Unitholder the “Administrative Services Agent” of a notice indicating the intention of that Unitholder to redeem the Units (a “**Redemption Notice**”) to the principal office of the Administrative Services Agent in Toronto, Ontario specifying the number and class of Units to be redeemed no later than 5:00 p.m. (Toronto time) sixty days prior to the relevant Redemption Date. The Redemption Date is the last day of each month. If the last day of each month is not a Business Day the Redemption Date shall be the next succeeding Business Day. The Unitholder will receive payment in respect of any Units surrendered for redemption within thirty Business Days of the relevant Redemption Date at a redemption price per Unit equal to the Redemption Amount. Redemption Amount means, in respect of Units, a redemption price per Unit surrendered for redemption on the Redemption Date that is equal to 100% of the Class NAV per Unit of the relevant Class minus costs associated with the redemption, including commission, brokerage costs and other such costs, if any. The Fund Manager may waive the notice requirement in its discretion.

Termination of the Fund

The Fund does not have a fixed termination date. In the event that the Fund Manager resigns and no new fund manager is appointed by the Trustee within one-hundred and twenty (120) days of the Fund Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is sixty (60) days following the end of such one-hundred and twenty (120) day period. The Trustee may, in its discretion and upon not less than sixty (60) days prior written notice to the Unitholders by way of press release, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders to do so.

Income Tax Considerations

A Unitholder who is resident in Canada will generally be required to include in computing income for a taxation year that part of the net income of the Fund, including net taxable capital gains, if any, that is paid or becomes payable to the Unitholder by the Fund in the year (whether in cash or in Units). To the extent that amounts payable to a Unitholder are designated by the Fund as taxable dividends from taxable Canadian corporations, or as the taxable portion of net realized capital gains, those amounts will retain their character and be treated as such in the hands of the Unitholder.

Amounts paid or payable by the Fund to a Unitholder in excess of the Unitholder’s share of the Fund’s net income and net realized capital gains will generally not result in an income inclusion to the Unitholder, but will reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit held as capital property by a Unitholder would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to such negative amount. A Unitholder who disposes of Units held as capital property (on a redemption or otherwise) will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the aggregate adjusted cost base of the Units disposed of and any reasonable costs of disposition.

Each investor should satisfy himself or herself as to the tax consequences applicable in his or her jurisdiction of an investment in Units by obtaining advice from his or her tax advisor. See “Income Tax Considerations for Investors”.

Eligibility for Investment

Provided that, at all relevant times, the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans,

registered retirement income funds, registered disability savings plans, registered education savings plans, deferred profit sharing plans and tax-free savings accounts. Unitholders planning to hold their Units in a tax-free savings account, registered retirement savings plan or registered retirement income fund should consult their own tax advisor as to whether the Units are “prohibited investments” for such accounts. See “Income Tax Considerations for Investors”.

Rights of Action

Securities legislation in certain of the Provinces of Canada where the Units are being offered provide or require that Subscribers be provided with, in addition to any rights they may have at law or equity, statutory or contractual rights of rescission or rights to damages, or both. In general, these rights are available where an offering memorandum or any amendment to it (or advertising or sales literature in respect of Subscribers in the Provinces of Nova Scotia or New Brunswick) contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary to make any statement in it not misleading in light of the circumstances in which the statement was made. However, the Subscriber must exercise such rights within the prescribed time limits. 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 trend, 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 Fund 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 Fund nor the Fund Manager intends, or assumes any obligation, to update these forward-looking statements.

DEFINITIONS

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

“Administrative Services Agent” means SGGG Fund Services Inc.

“affiliate” has the meaning ascribed thereto in the Ontario Act.

“associate” has the meaning ascribed thereto in the Ontario Act.

“Authorized Investments” means Mortgages, Authorized Interim Investments, Related Investments, Workout Investments, or the acquiring, holding, maintaining, improving, leasing or managing of any Real Property or an interest in Real Property in the Fund Manager's sole discretion, to preserve, protect or enhance the Fund or its assets; and it means, for the limited purpose of hedging risks to the portfolio of the Fund, derivatives, including purchasing forward exchange contracts in order to hedge against potential losses in the exchange rate between the Canadian and U.S. dollars in respect of U.S. Mortgages, and short selling Mortgages, Authorized Interim Investments, and Related Investments.

“Authorized Interim Investments” means investments guaranteed by the Government of Canada or of a Province or Territory of Canada, cash deposits in or receipts, deposit notes, certificates of deposits, acceptances and other similar instruments issued, endorsed or guaranteed by a Schedule I or Schedule II Bank, Insured Mortgages and AAA rated Mortgage backed securities.

“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.

“Class” means any class of Units described in this Offering Memorandum or such other class of Units as may be established by the Trustee in accordance with provisions of the Declaration of Trust.

“Class A Units”, **“Class I Units”** and **“Class F Units”**, mean, respectively, Class A units, Class I units and Class F units of the Fund.

“Class Expenses” has the meaning ascribed thereto in “Description of the Units – Nature of Units”.

“Class NAV” means, with respect to the Units of any particular Class of the Fund, the net asset value of the Fund's assets, as of that Valuation Date, referable to that Class determined in accordance with the provisions of the Declaration of Trust.

“Class NAV per Unit” means, with respect to the Units of any particular Class of the Fund on any Valuation Date, the quotient obtained by dividing the Class NAV of the Class by the total number of Units of that Class outstanding at that Valuation Date, all as determined by the Fund Manager.

“Closing” means each closing of the Offering.

“CMHC” means Canada Mortgage and Housing Corporation.

“Commercial Mortgages” means Mortgages granted as security for loans given in respect of properties, land developments and construction projects which have retail, commercial, service, office and/or industrial uses.

“Construction Mortgages” means Mortgages granted as security for 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.

“Declaration of Trust” means the declaration of trust of the Fund dated as of February 28, 2011, governed by the laws of Ontario, pursuant to which the Fund was created, as amended, supplemented or amended and restated from time to time.

“Distributable Cash” means the amount of available cash collected to be distributed by the Fund, calculated as set out under “Distribution Policy”.

“Distribution” means a distribution of the Fund declared in accordance with the Declaration of Trust.

“Distribution Date” means the date on or about the 15th day of each calendar month.

“Exempt Plans” means trusts governed by a registered retirement savings plan (RRSP), a registered retirement income fund (RRIF), a deferred profit sharing plan (DPSP), a registered disability savings plan (RDSP), a tax-free savings account (TFSA) or a registered education savings plan (RESP).

“Fair Market Value” in relation to a Unit means the fair market value of such Unit as determined by the Trustee from time to time, acting reasonably, but in his sole discretion, based upon the price at which the Units were offered for sale in the most recent offering of Units by the Fund less the net issue costs of such Unit, adjusted as determined by the Trustee including, without limitation, an adjustment for profits and losses up to the date of determination; provided however that such fair market value shall not exceed the proportionate share of the net asset value of the Fund represented by such Unit.

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

“FSCO” means the Financial Services Commission of Ontario.

“Fund” means YTM Capital Mortgage Income Fund, an unincorporated investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust.

“Fund Manager” means such person as may from time to time be appointed by the Trustee to manage the day to day operation of the Fund and its successors as Fund Manager of the Fund, together with any agents duly appointed by the Fund Manager.

“Insured Mortgages” means Mortgages, the principal repayment of which have been insured with CMHC or another commercially recognized mortgage insurer.

“Investment Objectives” means the investment objectives set out under “Investment and Operating Policies of the Funds – Investment Objectives and Strategies”.

“Investment Restrictions” means the investment restrictions set out under “Investment and Operating Policies of the Funds – Investment Guidelines and Restrictions”.

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

“Management Commentary” means a summary of the Fund’s investments in aggregate and the Fund Manager’s opinion of the issues affecting the current and or future well-being of the Fund.

“MBLAA” means the *Mortgage Brokerages, Lenders and Administrator’s Act, 2006*.

“Mortgage” means a mortgage, hypothec, deed of trust, charge or other security interest of or in real property used to secure obligations to repay money by a charge upon the underlying Real Property, whether evidenced by notes, debentures, bonds, assignments of purchase and sale agreements or other evidences of indebtedness, whether negotiable or non-negotiable.

“Mortgage Administrator” means the person responsible for the administration of a particular mortgage. This person is usually registered with FSCO or the equivalent of FSCO in the Mortgage Administrator’s jurisdiction.

“Mortgage Broker” means a person responsible for the organization or syndication of the Mortgage.

“**Mortgage Originator**” means a person whose main function is to source Mortgage investment opportunities. This person is usually a Mortgage Broker licenced by FSCO or the equivalent of FSCO in the Mortgage Broker’s jurisdiction.

“**Mortgage Portfolio**” means, at any time, the portfolio of Mortgages or other Authorized Investments, or interests therein, held by the Fund.

“**Network**” means YTM Capital’s network of Mortgage Brokers and Mortgage Administrators.

“**NI 31-103**” means National Instrument 31-103 – *Registration Requirements*, as amended, supplemented or replaced from time to time.

“**NI 45-106**” means National Instrument 45-106 – *Prospectus and Registration Exemptions*, as amended, supplemented or replaced from time to time.

“**NI 81-102**” means National Instrument 81-102 – *Mutual Funds*, as amended, supplemented or replaced from time to time.

“**OBCA**” means the *Business Corporations Act* (Ontario), as amended, supplemented or replaced from time to time.

“**Offering**” means the continuous offering on a private placement basis of Units at a price of the Class NAV per Unit described in this Offering Memorandum.

“**Ontario Act**” means the *Securities Act* (Ontario), and the regulations, rules, policies and other instruments promulgated thereunder, as amended, supplemented or replaced from time to time.

“**Ordinary Resolution**” means a resolution passed by a simple majority of the votes cast by those Unitholders who, being entitled to do so, vote in person or by proxy at a duly convened meeting of Unitholders, or, subject to applicable laws, regulations and regulatory policies, a written resolution, in one or more counterparts, consented to in writing by Unitholders holding not less than 50% plus one of the votes attached to Units held by all Unitholders entitled to vote at that time.

“**Performance Fee**” and “**Performance Valuation Date**” have the meanings ascribed thereto in the section entitled “Fees and Expenses”

“**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.

“**Phase I Environmental Audit**” means an evaluation of Real Property for purposes of environmental analysis performed solely on the basis of historical records without invasive sampling or drillings from such property.

“**Pre-Development Mortgages**” means Mortgages 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.

“**Pro Rata Share**” of any particular amount in respect of a Unitholder at any time shall be the product obtained by multiplying the particular amount by the number obtained when the number of Units that are owned by that Unitholder at that time is divided by the total number of Units at that time.

“**Qualified Appraiser**” means a person who is an appraiser accredited or licensed by the Appraisal Institute of Canada or any successor 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.

“Record Date” means the date determined by the Fund Manager as of which Persons who are Unitholders on such date will be entitled to receive distributions;

“Redemption Amount” means in respect of Units a redemption price per Unit surrendered for redemption on the Redemption Date that is equal to 100% of the Class NAV per Unit of the relevant Class minus costs associated with the redemption, including commission, brokerage costs and other such costs, if any.

“Redemption Date” means the last Business Day of each month and includes any other date which the Trustee elects, in his sole discretion.

“Redemption Notice” means a notice, in a form acceptable to the Administrative Services Agent, made by a Unitholder to the Administrative Services Agent indicating the intention of such Unitholder to redeem his, her or its Units.

“Registered Dealer” means an investment dealer registered with a securities commission in a Canadian Province or Territory who has agreed to distribute Units of the Fund.

“Related Investments” means, (i) bonds, debentures, notes or other evidences of indebtedness in, (ii) shares, units or other evidence of ownership in, or (iii) any contractual right arising from securitization or another similar process to receive interest income from, any entity engaged directly or indirectly in the funding, holding or investing in Mortgages granted as security for loans, or the sole or principal purpose and activity of which is to invest in, hold and deal in Mortgages.

“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 Trustee.

“Residential Mortgages” means Mortgages that are registered on or against single family residences and multifamily residential properties.

“Schedule I Bank” means a bank listed in Schedule I of the *Bank Act* (Canada).

“Schedule II Bank” means a bank listed in Schedule II of the *Bank Act* (Canada).

“Second Mortgage” means a Mortgage having priority over all other Mortgage loan interests registered against the same Real Property other than a First Mortgage on such Real Property.

“Special Resolution” means a resolution approved by not less than 66 2/3% of the votes cast by those Unitholders who, being entitled to do so, vote in person or by proxy at a duly convened meeting of Unitholders, or, subject to applicable laws, regulations and regulatory policies, a written resolution, in one or more counterparts, consented to in writing by Unitholders holding not less than 66 2/3% of the votes attached to Units held by all Unitholders entitled to vote at that time.

“Subordinate Mortgage” means a Mortgage other than a First Mortgage, including, without limitation, a Second Mortgage.

“Subscriber” means a subscriber for Units hereunder, pursuant to the Offering, whose subscription has been accepted by the Trustee, and to whom Units have been issued and not revoked or transferred, and any other holder of Units from time to time (collectively, the “Subscribers”).

“Subscription Agreement” means the agreement to be entered into between the Fund and Subscribers in furtherance of a subscription for Units under the Offering.

“subsidiary” has the meaning ascribed thereto in the OBCA.

“Superintendent” means the Superintendent of Financial Services, who is the chief executive officer of FSCO.

“Tax Proposals” means the proposals for specific amendments to the Tax Act that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof.

“**Tax Act**” means the Income Tax Act (Canada) and the regulations promulgated thereunder, as amended from time to time.

“**Term Financing Mortgages**” means Mortgages granted as security for a loan used to finance a completed or substantially completed income-producing or owner occupied property for a period of time.

“**Trustee(s)**” means the trustee(s) of the Fund as may be appointed in accordance with the Declaration of Trust.

“**Uninsured Mortgages**” means Mortgages, the principal repayment of which have not been insured with CMHC or another commercially recognized mortgage insurer.

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

“**Unit**” means each of the units of the Fund (collectively, the “Units”).

“**Unit Certificate**” means a certificate, in the form approved by the Trustee, evidencing one or more Units, which may be issued and certified in accordance with the provisions of the Declaration of Trust, which for greater certainty may include an electronic or paperless form of certificate as may be approved by the Trustee.

“**Valuation Agent**” means such company as may from time to time be appointed by the Fund to act as valuation agent.

“**Valuation Date**” means the last Business Day of each calendar month upon which date the Trustee will determine the aggregate Fair Market Value of Units outstanding on the first Business Day of the said calendar month.

“**Valuation Time**” means the time at which trading closes on the Toronto Stock Exchange on the Valuation Date.

“**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 Fund Manager, in the Fund Manager's sole discretion, on behalf of the Fund, to preserve or protect the Fund or its assets, provided that such investments do not, directly or indirectly, cause the Fund to cease to be considered a “mutual fund trust” (as such term is defined under the Tax Act).

“**YTM Capital**” means YTM Capital Asset Management Ltd.

THE FUND

Overview of the Legal Structure of the Fund

The Fund is an unincorporated open-end investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The head office of the Fund is located at: 295 Robinson Street, Suite 202, Oakville, ON, L6J 1G7. The Trustee is responsible for the general control and direction of the Fund.

The Fund has been established for an indefinite term. Pursuant to the Declaration of Trust, termination of the Fund (other than by reason that it is in the best interest of the Unitholders as determined by the Trustee, or the inability for the Trustee to appoint a new fund manager within 120 days of the Fund Manager giving his notice of resignation) or the sale or transfer of all or substantially all of the Fund's assets (other than as part of an internal reorganization of the assets of the Fund as approved by the Trustee) requires approval by Special Resolution. See "Description of Units".

INDUSTRY OVERVIEW

The Residential Mortgage market in Canada is segmented into tiers that reflect the credit profile of the borrower and/or the borrower's source of income as prime and non-prime. For example, a borrower who owns and operates a business will have a more challenging time proving the income necessary to qualify for a prime residential mortgage. As a result, major institutions, chartered banks and trust companies compete for prime mortgage opportunities with an oversupply of capital to opportunities. In the non-prime market, there exists a near constant imbalance of capital to demand for non-prime mortgages. In these markets, the Fund Manager and other private lenders compete for opportunities with a usual oversupply of opportunities to appropriately priced capital.

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

The Fund intends to continue to focus its investments in the following market segments of Mortgages, in varying proportions depending on the Fund Manager's view of national and regional macroeconomic climates and real estate markets:

Residential Mortgages

Residential Mortgages consist of both Insured and Uninsured Mortgages and are backed by mostly primary residences. These Mortgages are usually up to three years in maturity and up to 80% loan to value for Uninsured Mortgages and five years in maturity and up to 100% loan to value for Insured Mortgages. These Mortgages may consist of either First Mortgages or Second Mortgages and for the most part will be secured by property in urban areas.

Pre-Development Mortgages

Land acquisition, pre-development and infrastructure Mortgages occur at an early stage in a project's development and are often characterized as Pre-Development Mortgages because of the use of funds to finance the acquisition of land, pre-development costs and installation and construction of roads, drainage, sewage, utilities, and similar improvements on such lands. Mortgage terms in all segments average 12 to 18 months in duration. The Fund will continue to focus on the shoulder and mid-tier markets with Pre-Development Mortgages mostly underwritten to a 65% or lower loan to value.

Construction Mortgages

Construction Mortgages follow Pre-Development Mortgages as projects move through the development cycle. Construction Mortgages finance the construction of multi-family residential or commercial developments. Mortgage terms in all segments average 12 to 24 months in duration. The Fund will typically invest in the shoulder and mid-tier markets in Canada and the United States with Construction Mortgages underwritten to a 75% or lower Loan to Value. The development and construction shoulder and mid-tier markets while large and in the hundreds of millions of dollars annually, are a relatively small segment of the total Canadian real estate lending market.

Term Financing Mortgages

Term financing Mortgages enable an owner of a completed or substantially completed income producing property to defer arranging longer-term financing until conditions warrant more favorable financing terms. Mortgage rates vary depending on the borrower, property location, property type and loan to value. These Mortgages are usually short to mid-term as the borrower's need for funding is 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 programs. Loans in this segment are expected to average 12 to 36 months in duration and will be underwritten to a maximum 80% Loan to Value. Occasionally changes in market conditions or institutional lender criteria will create the opportunity for longer-term Mortgages.

INVESTMENT OBJECTIVES AND STRATEGY

Investment Objectives

The objectives of the Fund are to:

- (a) Invest in Mortgages and other Authorized Investments with capital preservation as the main investment criteria;
- (b) Invest in a diversified pool of Mortgages and other Authorized Investments to achieve stable, above average returns for short term secured investments; and
- (c) Provide stable monthly Distributions to Unitholders.

Investment Strategies

The Fund Manager endeavours to make prudent investments in loans that are primarily First and Second Mortgages that provide financing for Real Property situated in Canada and, on a more limited basis, the United States. The Fund also intends to continue to invest in Mortgages and other Authorized Investments, subject to the limitation that the loan to value of the Fund cannot exceed 80% on Uninsured Mortgages. Investments in Real Property may arise from the acquisition of Real Property through foreclosure of a Mortgage held by the Fund or conveyed to the Fund in full or partial satisfaction of indebtedness owed to the Fund. The Fund Manager, on behalf of the Fund, diligently reviews and selects investment opportunities. In making its investment selections, the Fund Manager adheres to the investment and operating policies of the Fund. As part of the review and selection process, if applicable to the investment being considered, the Mortgage Originator provides a full underwriting report consisting of a thorough credit assessment of the Mortgage investment and the security provided therefor and, where considered necessary, an appraisal prepared by a Qualified Appraiser, a Phase I Environmental Audit, and an evaluation of the prospective borrower and the proposed real estate collateral. See "Management of the Fund and the Fund".

The investment strategy of the Fund is to invest in First Mortgages and Subordinate Mortgages in the non-prime, shoulder and mid-tier markets where borrower and financing needs are not being met by the larger financial institutions. To maintain a stable interest yield on the Mortgage Portfolio, the Fund manages risk through the maintenance of a diversified Mortgage portfolio, conservative underwriting and diligent and pro-active Mortgage servicing. As a result of the Fund's strategy of initiating a lending relationship in the early stages of Mortgage origination and the restricted competition in the markets in which the Fund invests, the Fund anticipates that it will continue to influence interest rate pricing and investment security exposure on its investments.

The Fund offers Units from time to time only if the receipt of the proceeds of such offering by the Fund does not impair: (i) the investment goals and the investment strategy of the Fund Manager as described in this section; (ii) the investment and operating policies listed in the subsection entitled "Risk Management" below; (iii) the Fund's Investment Objectives; or (iv) the Fund Manager's expected return from its investment in and management of the Mortgage Portfolio.

As part of its growth strategy, the Fund may develop and execute a strategy for consolidation within its target markets, which strategy may involve purchasing existing Mortgages or Mortgage portfolios from lenders currently competing in these markets. The same due diligence and Investment Objectives will apply. The Fund may also make other Authorized Investments depending on market conditions, available funds and attractive yields.

Borrowing Strategy

The Fund may from time to time borrow funds from arm's length entities with a view to obtaining a spread between the interest rate payable to the Fund on the Mortgage investments made with the proceeds of such borrowings and the interest rate paid by the Fund in respect of such borrowings. Such borrowings are subject to the restriction that the total indebtedness from such entities may not exceed 30% of the total assets of the Fund as at the date of drawdown of the borrowed funds. The Fund Manager believes that this borrowing strategy could further enhance the aggregate interest yield on the Fund's Mortgage Portfolio. See "Risk Factors".

The Fund currently maintains a \$10 million funding facility with a chartered Canadian bank. This credit facility allows for more efficient cash management and enables the Fund to take advantage of investment opportunities at times when funds are not immediately available from other sources (such as subscription proceeds).

Syndication Strategy

To manage and diversify risk, the Mortgage Administrator or Mortgage Broker may syndicate Mortgages and other Authorized Investments in which the Fund participates with one or more lenders. All such syndicated Authorized Investments may initially be funded by the Fund with mortgagors at a specified interest rate and a portion of the Authorized Investment may then be syndicated to a financial institution or other lenders sourced by the Mortgage Administrator or the Fund. Syndication may be on a pari passu basis or on a subordinated basis. Syndicating Authorized Investments reduces the Fund's exposure in respect of any one Authorized Investment.

Risk Management

In addition to the default management plan discussed under the heading "Collection Activities", the Fund Manager has implemented the following controls to limit and manage risk:

- (a) investment restrictions which include, among other things, the following:
 - (i) a maximum Mortgage Portfolio loan to value of 80% on Uninsured Mortgages; and
 - (ii) a maximum loan term of 36 months on Uninsured Mortgages; and
 - (iii) no loan for an amount greater than 10% of assets;
- (b) a network of Mortgage Originators which have substantial experience in originating, underwriting and servicing Mortgages and other Authorized Investments in the markets in which the Fund intends to invest;

- (c) adopting a syndication strategy whereby the Fund may syndicate Mortgages and other Authorized Investments with other investors or be a member of a syndicate to diversify and share risks associated with a given Mortgage or other Authorized Investment;
- (d) an extensive and exhaustive due diligence process including but not limited to asset valuation, debt service capability, environmental assessment, competent legal advisors and insurance coverage; and
- (e) where determined necessary, arranging for or reviewing existing independent appraisals prepared by Qualified Appraisers for Mortgage investments.

Development and Maintenance of the Mortgage Portfolio

In the view of the Fund Manager, three keys to developing and maintaining a successful Mortgage Portfolio are: (i) knowledgeable Mortgage analysis and underwriting; (ii) the ability to source a broad range of investment opportunities thereby allowing the Fund Manager to be selective and prudent in its choice of Authorized Investments; and (iii) disciplined monitoring, servicing and collection enforcement methods. In these respects, the Fund benefits from the experience of the principals of the Fund Manager. The Fund Manager believes that, through its extensive network of Mortgage Originators, the Fund will be able to continue to source and fund Mortgage investments which satisfy the Fund's investment criteria based on: (i) the specialized lending structures offered to borrowers; (ii) the reputation, experience and marketing ability of its Mortgage Originator; (iii) the timely credit analysis and decision-making processes followed by the Fund Manager; and (iv) a lack of significant lenders in the market segments in which the 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 market in which the Fund invests.

Mortgage Investment Opportunity Sources

The Fund Manager's sourcing of the investments and servicing of the Mortgage Portfolio benefits the Fund in the following ways:

Mortgage Investment Opportunity Sources

The Fund Manager sources Mortgages for the Fund through intermediaries such as mortgage brokerages, banks, trust companies, lawyers and accountants. The Fund Manager's principals have extensive contacts in the mortgage and real estate industries which allow them to identify investment opportunities. In addition, the Fund Manager's extensive network of Mortgage Originators have a comprehensive knowledge and understanding of the mortgage and real estate industries that has enabled them to make prudent investment decisions and identify sound investment opportunities during this time. The Fund continues to take advantage of the experience of the principals of the Fund Manager in these types of activities and therefore maintains access to a source of Mortgage investments for which there is limited competition.

Proven Industry Experience

The principals of the Fund Manager have a depth of experience spanning 60 years in the financial industry. Daniel Child has extensive experience in private Mortgages in particular, and over a decade of experience in real estate investing, management and development.

Problem Identification and Rectification Experience

The Fund attempts to minimize risks associated with defaulting Mortgages through diligent monitoring of the Mortgage Portfolio, active communication with borrowers and the institution of aggressive enforcement procedures on defaulting Mortgages. The Fund accomplishes this through Mortgage Administrators, which have substantial experience in servicing Mortgage loans, including the institution of enforcement proceedings, and have a history of very low losses on Mortgages which they have underwritten and serviced.

Focus on Strong Economic Regions and Urban Centres

The Fund will diversify geographically, at the sole discretion of the Fund Manager, by making Mortgage investments in Real Property located across Canada, with a focus on urban areas and regions with stronger economies. The Fund may also invest in the United States where prevailing economic conditions are favourable and there are benefits of such diversification

Investment Process

The Fund Manager utilizes an investment process that is characterized by a top-down approach to identifying attractive Mortgages and other Authorized Investments, beginning with a macro-level economic analysis of various geographic markets and expectations for real estate prices in all sectors, based on various factors including, expected future interest rates, employment rates, national consumer leverage and GDP growth. The next step includes the identification of individual Mortgage investment opportunities and the evaluation of their attributes. In the Fund Manager's opinion, attractive Mortgage investments are those: (i) where the borrower has a clear strategy to repay principal and interest; (ii) where the Mortgage is secured by Real Property that is reasonably liquid; (iii) where the borrower has a reasonable amount of equity invested in the specific property which is securing the loan; (iv) where the borrower is of sound moral character; and (v) where the borrower has shown a successful operating track record. Each Mortgage loan is subject to a detailed review process by the Fund Manager.

Mortgage loans that are determined to be satisfactory by the Fund Manager upon completion of its preliminary analysis will be considered with a view to assessing the strength of the security covenants of such Mortgage investment opportunities, and the payment and default risks associated with that Mortgage. In considering the adequacy of the underlying real estate that is offered as security on a proposed loan, the Fund Manager performs further extensive due diligence including a review of (among other things):

- (a) real estate valuations – usually supported by third party appraisals;
- (b) loan to value of the Mortgage based on these real estate valuations;
- (c) exit strategy for the proposed loan;
- (d) ability of the borrower to service the loan (including total debt service ratios and gross debt service ratios);
- (e) credit reports (e.g. Equifax) for the borrower;
- (f) environmental risks (supported by third party environmental reports when deemed necessary);
- (g) projected financial budgets and profit and loss statements;
- (h) covenants of the borrower and/or guarantor;
- (i) liquidity of the collateral;
- (j) default risk of the proposed loan;
- (k) structural integrity of the real estate that is offered as security for a proposed loan, supported by third party
- (l) structural/engineering reports (where necessary);
- (m) geographical location of the property; and
- (n) type of asset offered as collateral (e.g. residential, industrial, commercial, office);

The Fund may also make other Authorized Investments depending on market conditions, available funds and attractive yields.

Once a prospective loan passes the initial screening, further due diligence is performed, including evaluation of the risk impact on the entire Mortgage Portfolio, if the proposed loan were to be approved. This further review assists the Fund Manager in

determining the strength of the prospective loan as to the overall impact on the entire portfolio and the effect on portfolio metrics such as Loan to Value, single borrower exposure and concentration by loan type, geographical location and asset type. The Fund Manager's investment thesis is first to mitigate risk of default and then to mitigate risk of loss through exhaustive due diligence on the value of the collateral and the proposed exit strategy of the borrower.

The Fund Manager believes that the use of highly competent and experienced legal advisors is vital to the successful structuring of covenants and registration of a Mortgage. Legal advisors are used as experts to help structure any non-traditional Mortgages, to ensure that the Fund is in a secure a position as possible if the mortgagee defaults on his loan. For this reason the Fund Manager performs thorough due diligence on all lawyers used on Mortgage transactions by the Fund.

When appropriate, the Fund Manager may also seek assurances in the form of corporate guarantees, personal guarantees, cross-collateral on other properties, general security agreements, lease assignments, title registrations and cross default provisions on other mortgages.

The Fund Manager believes that post-investment monitoring is a key investment management tool that can allow it to become aware of early warning signs of a potential Mortgage default. To that end, the Fund Manager, directly or through its Network performs ongoing monitoring of borrowers to ensure compliance with the contractual terms of the applicable investment, such as financial performance or financial covenants, insurance requirements and property tax requirements.

The following chart is a summary of the investment process that the Fund Manager follows either directly through the presenting mortgage broker:

Step 1	Origination	<ul style="list-style-type: none"> ➤ Network of Mortgage Brokers ➤ Repeat borrowers ➤ Referrals from legal, accounting and finance industry contacts
Step 2	Analysis	<ul style="list-style-type: none"> ➤ Exit strategy ➤ Loan to value ➤ Quality of asset ➤ Debt service analysis ➤ Experience of borrower ➤ Local market conditions ➤ Tenant quality, vacancy rate
Step 3	Due Diligence	<ul style="list-style-type: none"> ➤ Site visit ➤ Independent appraisal report ➤ Building condition ➤ Legal review ➤ Credit review ➤ Environmental review ➤ Interview of borrower/owner ➤ Assessment of “best use” of asset ➤ Borrower reputation
Step 4	Review and Approval	<ul style="list-style-type: none"> ➤ Meeting investment criteria of Fund ➤ Fitting asset allocation model ➤ Term and rate meeting minimum requirements

Management Biographies

Daniel R. Child has more than 25 years of experience in financial markets and investment management and is Portfolio Manager of the Fund. Prior to founding YTM Capital Asset Management Ltd., he was employed by Scotia Capital most recently as a Managing Director, Head Corporate Bond Trader where he was directly responsible for managing a \$1 billion portfolio of corporate bonds. He was also responsible for the oversight of the Mortgage Backed Securities and Asset Back

Securities trading operations. Mr. Child holds Chartered Professional Accountant, Chartered Accountant (CPA/CA), and Chartered Financial Analyst (CFA) designations and graduated with an Honors degree in Business Administration from the Ivey School of Business at the University of Western Ontario. He was the recipient of the Michael Nobrega Award of Excellence for the top nationwide mark in his firm on the Uniform Final Examination (CA Final Exam).

David S. Burbach is Associate Portfolio Manager of the Fund and is YTM Capital's Chief Compliance Officer. He has spent more than 20 years in the investment management industry, as an executive and lawyer. He has extensive experience in investment analysis, product structuring, and fund operations in Canada, the U.S., Europe, and Asia. Prior to joining YTM he was Director of Legal Services for Mackenzie Investments. David earned his LL.B from the University of Toronto and graduated with an Honors degree in Business Administration from the Ivey School of Business at the University of Western Ontario. He holds a Chartered Investment Manager (CIM) designation.

Karl U. Burnham is a principal of YTM Capital. He has more than 20 years of experience trading credit markets and several years of investing in mortgages privately. Karl began his trading career at CIBC in the corporate bond sector and steadily assumed increasing responsibilities. His most recent responsibilities at CIBC World Markets as a Managing Director involved actively trading and managing the corporate trading book while overseeing other major credit trading businesses, including Provincial, MBS, ABS, and CMBS, Strip, Crown, Yankee, Municipal, Emerging Market, and Eurobond. Karl was responsible for more than \$5 billion in fixed-income assets. Karl holds a Master's degree of Business Administration from the Schulich School of Business and is a Chartered Financial Analyst (CFA).

Foreclosure and Related Costs

One or more borrowers could fail to make payments according to the terms of their loan, and the Fund could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of the Fund's 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 Fund's rights as mortgagee. Legal fees and expenses and other costs incurred by the Fund in enforcing its rights as mortgagee against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, 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 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 such property is producing income or whether Mortgage payments are being made. The Fund may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

Risks Related to Mortgage Defaults

As part of the Fund Manager's active management of the Mortgage Portfolio, among other strategies, the Fund Manager may from time to time deem it appropriate to extend or renew the term of a Mortgage loan past its maturity, or to accrue the interest on a Mortgage loan. The Fund Manager generally will do so if it believes that there is a very low risk to the Fund of not being repaid the full principal and interest owing on a Mortgage loan. In these circumstances, however, the Fund is subject to the risk that the principal and/or accrued interest of such Mortgage loan may not be repaid in a timely manner or at all, which could impact the cash flows of the Fund during the period in which it is exercising such remedies. Further, in the event that the valuation of the asset has fluctuated substantially due to market conditions, there is a risk that the Fund may not recover all or substantially all of the principal and interest owed to the Fund in respect of such Mortgage loans. When a Mortgage loan is extended past its maturity, the loan can either be held over on a month-to-month basis, or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the Fund has the ability to exercise its Mortgage enforcement remedies in respect of the extended or renewed Mortgage loan. Exercising Mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Fund during the period of enforcement. In addition, as a result of potential declines in real estate values, in particular given the current economic environment, there is no assurance that the Fund will be able to recover all or substantially all of the outstanding principal and interest owed to the Fund in respect of such mortgages by exercising its mortgage enforcement remedies. Should the Fund be unable to recover all or substantially all of the principal and interest owed to the Company in respect of such Mortgage loans, the net asset value of the Fund would be reduced, and

the returns, financial condition and results of operations of the Fund could be adversely impacted. For other risks related to an investment in Units, see “Risk Factors”.

Investment Guidelines and Restrictions

Investment Restrictions

The Fund Manager has broad discretion in the allocation of investments made by the Fund. The investment restrictions of the Fund provide that the Fund will not:

- (a) make investments such that the Mortgage Portfolio, excluding Insured Mortgages, exceeds 80% loan to value;
- (b) make investments in Mortgage loans, other than Insured Mortgages, where the term to maturity is in excess of three years;
- (c) make an investment where such investment would exceed 10% of the total assets of the Fund;
- (d) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or that would require the Fund to make a take-over bid that is a “formal bid” for the purposes of applicable securities laws;
- (e) employ leverage which exceeds thirty percent (30%) of the total assets of the Fund;
- (f) make any investment that would result in the Trust failing to qualify as a “mutual fund trust” within the meaning of the Tax Act;
- (g) make or hold any investments in entities that would be “foreign affiliates” of the Fund for purposes of the Tax Act;
- (h) make or hold any securities in any non-resident trusts, other than “exempt foreign trusts” as defined in proposed subsection 94(1) of the Tax Act (or pursuant to any amendments to such proposals, subsequent provisions enacted into law, or successor provisions thereto);
- (i) make or hold any investments that could require the Fund to include any material amount in its income pursuant to section 94.1 of the Tax Act (or pursuant to any amendments to such proposals, subsequent provisions as enacted into law, or successor provisions thereto);
- (j) at any time, hold any property that is a “non-portfolio property” for the purposes of the provisions of the Tax Act that apply to a SIFT trust, as that term is defined in section 122.1 of the Tax Act;
- (k) invest in any security that would be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act; or
- (l) make or hold any investment, including an investment in a derivative, if, as a result of acquiring or holding that investment, the Fund would become subject to tax under Part X.2 of the Tax Act.

Furthermore, the Fund may:

- (a) assign all or a portion of a Mortgage or Mortgages held by it to one or more arm’s length third party lenders for value, retain a portion of such Mortgage or Mortgage(s) and enter into an agreement with such third party lenders as to the relative ranking of the assigned portion and the retained portion; or
- (b) participate in Authorized Investments on a syndicated basis with others, including affiliates and associates of the YTM Capital and their affiliates and associates, subject to the approvals otherwise required in connection with its investments.

The Investment Restrictions shall comply with applicable laws, regulations or other requirements imposed by applicable regulatory authorities. If any such regulatory authority having jurisdiction over the Fund or any property of the Fund shall enact any law, regulation or requirement which is in conflict with any Investment Restriction then in force, such Investment Restriction in conflict shall, if the Trustee on advice of counsel to the Fund so resolves, be deemed to have been amended to the extent necessary to resolve any such conflict, any such amendment shall not require the approval of the Unitholders, whether or not such amendment is material.

Operating Policies

The operations and affairs of the Fund are subject to the following operating policies:

- (a) When making an investment in, or an acquisition of, a Mortgage or other Authorized Investment, the Fund Manager may, in its sole discretion, obtain or review an independent appraisal from a Qualified Appraiser of, and/or a Phase I Environmental Audit on, the underlying Real Property (as such terms are defined below) which is the primary security for the Mortgage or other Authorized Investment, and may or may not obtain additional independent appraisals or audits of the underlying property or any additional collateral and other properties securing the Mortgage or other Authorized Investment;
- (b) the legal title to each Authorized Investment may be held by and registered in the name of the Fund Manager or Trustee or a corporation or other entity that is an affiliate, associate or subsidiary of the Fund Manager or Trustee, or their subsidiaries, associates or affiliates. Where the Fund's interest is held in trust or in some other form such as pursuant to an intercreditor agreement, such trust or holding arrangements must be approved by the Fund Manager or Trustee. Where the legal title to an Authorized Investment is held by and registered in the name of an entity wholly-owned by, or affiliated or associated with, the Fund Manager or Trustee, or in the name of a person or persons in trust for or on behalf of the Fund, such entity may hold legal title to such Authorized Investment on behalf of other beneficial owners of such Authorized Investment;
- (c) In addition, in its sole discretion and in satisfaction of the requirements of the immediately preceding paragraph, the Fund Manager may rely upon an independent appraisal from a Qualified Appraiser and/or a Phase I Environmental Audit in respect of the subject property that has been provided to the Fund by the borrower;
- (d) The appraised value relied upon for purposes of making a Mortgage investment need not be on an "as is" basis and may be based on stated conditions, including, without limitation, completion, rehabilitation, sale or lease up of improvements located on the Real Property.
- (e) Collateral in the form of Mortgages may be taken on more than one Real Property for an individual loan.
- (f) The Fund may borrow funds on commercially reasonable terms, subject to a limit of 30% of the total assets of the Fund, to acquire or invest in specific Authorized Investments, and to manage cash flow.
- (g) When deemed necessary by the Fund Manager, the Fund will, where appropriate, establish and manage property tax escrow accounts in respect of the Real Property provided as security for the Fund's Mortgage investments, if any.

Amendments to Operating Policies

The investment and/or operating policies of the Fund set out above may be amended, supplemented or replaced from time to time by the Fund Manager in its sole discretion without the consent, approval or ratification of the Unitholders or any other person. Where the investment and/or operating policies of the Fund are amended, supplemented or replaced the Fund Manager, Unitholders 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 this Offering Memorandum or the Declaration of Trust, if at any time a government or regulatory authority having jurisdiction over the Fund or any property of the Fund will enact any law, regulation or requirement which is in conflict with any investment or operating policy of the Fund then in force, such policy in conflict will, if the Fund Manager 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 Fund Manager will not require the prior approval of any other person.

Collection Activities

The Fund Manager monitors the performance of the Mortgage Portfolio, including tracking the status of outstanding payments due, grace periods and due dates. Agreements with Mortgage Administrators require the Mortgage Administrators to make reasonable efforts to collect all payments on account of principal and interest payable on a Mortgage investment where applicable, to cause the borrower to perform its obligations under the Mortgage investment or other security documents relating thereto and to follow collection procedures that are consistent with industry standards. The Fund Manager and/or Mortgage Administrator is required to monitor any loan that is in default, evaluate whether the causes of the default will be corrected by the borrower over a 30 day period without significant impairment of the value of the related mortgaged property, initiate corrective action and take such other actions as are consistent with industry standards.

The time within which the Fund Manager and/or the Mortgage Administrator may make the initial determination of appropriate action, evaluate the appropriate corrective action, if any, develop additional initiatives, or institute foreclosure, power of sale or other enforcement proceedings on behalf of the Fund may vary considerably depending on the particular Mortgage loan, the mortgaged property, the borrower, the mortgagor's circumstances as perceived by the Fund Manager and/or Mortgage Administrator and the presence of an acceptable party to assume the Mortgage loan. If a borrower makes a proposal, an assignment or takes any other proceedings under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada) or other insolvency, arrangement or other legislation for the relief of debtors, the Fund Manager and/or Mortgage Administrator may not be permitted to accelerate the maturity of the related Mortgage loan, to foreclose the mortgaged property or to exercise power of sale or other mortgage enforcement proceedings for a considerable period of time.

LICENSING AND LEGISLATIVE REGIME

Mortgage brokerages in Ontario are currently regulated under the MBLAA. The MBLAA is administered by the Ontario Ministry of Finance through FSCO and regulates mortgage brokerages which must be licensed under the MBLAA. Under the MBLAA, a "mortgage brokerage" is a person who carries on the business of dealing in mortgages in Ontario. A person is considered to be "dealing in mortgages in Ontario" when such person engages in any of the following activities in Ontario or holds itself out as doing so: (a) soliciting another person or entity to borrow or lend money on the security of Real Property; (b) providing information about a prospective borrower to a prospective mortgage lender, whether or not the MBLAA governs the lender; (c) assessing a prospective borrower on behalf of a prospective mortgage lender, whether or not the MBLAA governs the lender; (d) negotiating or arranging a mortgage on behalf of another person or entity, or attempting to do so; or (e) engaging in such other activities as may be prescribed under the MBLAA.

Neither the Fund nor the Fund Manager are licensed under the MBLAA. The Fund and the Fund Manager can conduct its mortgage investment activities under agreement with various licensed mortgage brokerages and Mortgage Administrators.

A mortgage brokerage must obtain a license issued by the Superintendent. These licenses are for a term of two years and are subject to a fee established by the Minister of Finance. The Fund Manager or its principals may in the future become a licensed Mortgage agent, Broker or Administrator. This would allow the Fund Manager to directly originate mortgages on behalf of the Fund as well as other investors. No formal plans to this effect are currently in place.

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

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

Generally, a mortgage brokerage will not be granted a license or a renewal of a license if, having regard to the financial position of the mortgage brokerage, it could not reasonably be expected that the mortgage brokerage would be financially responsible

in the conduct of its business. In addition, a license will not be granted or renewed if the past conduct of the applicant is such that it provides reasonable grounds for the Superintendent to believe that the mortgage brokerage will not conduct business legally and with integrity and honesty. In the case of a corporate mortgage brokerage, the Superintendent will look to the past conduct of the directors and officers of the corporation.

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

Mortgage brokerages are regulated provincially and as such the licensing and registration requirements vary by Province.

MANAGEMENT OF THE FUND

Overview

The Fund is under the general control and direction of the Fund Manager, including the day-to-day operations of the Fund. The Fund Manager may appoint an advisory board from time to time to advise the Fund in respect of its business and investments. See “Management of the Fund - The Fund Manager”.

A Mortgage Administrator must render its services under any agreement between the Mortgage Administrator and the Fund honestly, diligently and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities; however, the Mortgage Administrator, its directors and officers, its affiliates, members of its credit committee and their affiliates may at any time and currently do engage in promoting or managing other entities or their investments including Real Property financing that may compete directly or indirectly with the Fund.

In addition, the various Mortgage Brokers and Mortgage Administrators have sole discretion in determining which Mortgages and investments they will make available to the Fund for investment and will, at the same time and on an on-going basis, be sourcing investment opportunities for its own account or the account of others. The Fund Manager’s Network of Mortgage Brokers and Administrators in exercising their discretion, will use their best judgment and act in such manner as they see fit, having regard to the relative sizes, investment objectives, portfolio composition and financial capabilities of all of the entities involved, including the Fund.

Although the principals of YTM Capital will not devote all of their time to the business and affairs of the Fund, they 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 Fund and its business. Whenever a conflict of interest arises between the Fund, on the one hand, and the Network 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 Fund Manager

The Fund has retained YTM Capital as the Fund Manager. YTM Capital is a corporation incorporated under the laws of the Canada in 2010. YTM Capital is a debt focused asset manager specializing in mortgage investments, and is registered with the Ontario Securities Commission as an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer.

Duties and Services to be Performed by the Fund Manager

Pursuant to the Declaration of Trust, the Fund Manager is appointed as the sole and exclusive manager of the affairs of the Fund. In such capacity, the Fund Manager is responsible for the day-to-day activities of the Fund from time to time. The services to be provided by the Fund Manager under the terms of the Declaration of Trust will include, without limitation:

- (a) appointing and monitoring the performance of persons, including the custodian, the registrar and transfer agent, mortgage servicer, auditors, legal counsel and other organizations or professionals serving the Fund;
- (b) monitoring the suitability of the Investment Objectives and Investment Restrictions and preparing for adoption by the Unitholders of any amendments to the Investment Objectives and Investment Restrictions which the Fund Manager believes are in the best interests of the Fund;

- (c) the authorization and payment on behalf of the Fund of expenses incurred on behalf of the Fund and the negotiation of contracts with third party providers of services (including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers);
- (d) the provision of office space, telephone service, office equipment, facilities, supplies and executive, secretarial and clerical services;
- (e) the preparation of accounting, management and other reports, including such interim and annual reports to Unitholders, financial statements, tax reporting to Unitholders and income tax returns as may be required by applicable law;
- (f) keeping and maintaining the books and records of the Fund and the supervision of compliance by the Fund with record keeping requirements under applicable regulatory regimes;
- (g) monitoring the ability of the Fund to pay Distributions (including, without limitation, an additional Distribution) if, as and when determined necessary or appropriate by the Manager;
- (h) communications and correspondence with Unitholders and the preparation of notices of Distributions to Unitholders;
- (i) ensuring that the Class NAV per Unit for each class is calculated on each Valuation Date;
- (j) general investor relations and responding to investors' inquiries in respect of the Fund;
- (k) dealing with banks and custodians, including the maintenance of bank records and the negotiation and securing of bank financing or refinancing;
- (l) obtaining such insurance as the Fund Manager considers appropriate for the Fund;
- (m) arranging for the provision of services by the Administrative Services Agent;
- (n) reviewing fees and expenses charged to the Fund and ensuring the timely payment thereof;
- (o) ensuring:
 - (i) that the Fund complies with all regulatory requirements; and
 - (ii) the organization of meetings of Unitholders; and
- (p) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund.

In carrying out the obligations of the manager under the Declaration of Trust, the Fund Manager will be required to exercise its powers and discharge its duties diligently, honestly and in good faith and in the best interests of the Fund, including without limitation exercising the standard of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

The roles of the Fund Manager are subject to the terms and conditions of the Declaration of Trust (the “**Management Provisions**”). The statements in this Offering Memorandum concerning the Declaration of Trust are intended to be only a summary of the provisions of the Declaration of Trust and do not purport to be complete. A copy of the Declaration of Trust will be provided to each prospective Subscriber on request in writing to the Trustee. Prior to executing a Subscription Agreement, each prospective Subscriber should review with his, her or its advisors the provisions of the Declaration of Trust for the complete details of these provisions and all other provisions thereof. All capitalized terms in this section not otherwise defined herein shall have the meaning as set out in the Declaration of Trust.

For the monthly yield and net asset value information concerning the Fund please go to www.ytmcapital.com.

Liability and Indemnity of the Fund Manager

The Fund Manager, and any agent to whom the Fund Manager has delegated any of its duties, shall exercise its powers and perform its duties honestly, in good faith and in the best interests of the Fund and its Unitholders and shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Fund Manager will not be liable in any way for any default, failure or defect of the assets of the Fund if it has satisfied the duties and the standard of care, diligence and skill. However, the Fund Manager shall be liable to the Fund for any loss, damage, claim, cost, charge, expense or liability resulting from the Fund Manager's wilful misconduct, bad faith, negligence or breach by the Fund Manager of its duties or the standard of care, diligence and skill.

The Fund Manager and its directors, officers, employees, consultants and agents (as applicable) shall be entitled to indemnity and reimbursement out of the property of the Fund to the full extent of such liability and the costs of any litigation or other proceedings in which such liability shall have been determined, including the fees and disbursements of counsel to the Fund.

Term and Termination of the Fund Manager

The services of the Fund Manager will continue until terminated in accordance with the Declaration of Trust. In the event the Fund Manager is in material breach or default of the Management Provisions and, if capable of being cured, such breach or default has not been cured within twenty (20) Business Days of such breach or default, the Unitholders may terminate the Fund Manager by a Special Resolution.

The Fund Manager may be terminated immediately in the event of the commission by the Fund Manager of any fraudulent act and shall be automatically terminated if the Fund Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors or ceases to be resident in Canada for purposes of the Tax Act.

In the event that the Fund Manager is terminated as provided above, the Trustee shall promptly appoint a successor Fund Manager to carry out the activities of the Fund Manager. Any subsequent Fund Manager so appointed will be subject to removal or termination with the approval of the Unitholders by an Ordinary Resolution approved at a meeting of Unitholders. Any such successor will enter into a management agreement with the Fund on substantially the same terms as set out in the Management Provisions.

Other than payment of the fees payable to the Fund Manager and the reimbursement of the Fund Manager's expenses up to and including the date of termination of the Fund Manager, no additional payments will be required to be made by the Fund to the Fund Manager as a result of any termination of the Fund Manager.

The Fund Manager may resign as the manager of the Fund on sixty (60) days' notice.

FEES AND EXPENSES

Management Fee

As compensation for its services as manager of the Fund, YTM Capital will receive an annual management fee (a "Management Fee") from the Fund up to 2.00% of the Class NAV of the Class A Units and up to 1.50% of the Class NAV of the Class F Units.

Management fees payable in respect of Class I Units shall be an amount determined by negotiation between the Fund Manager and investors in such Class I Units.

The Management Fee will be calculated and paid monthly as of the last Business Day of each month. The Management Fee will be subject to HST and will be an expense of the Fund. The Management Fee is for each Class a Class Expense attributable to that Class.

Performance Fee

The Fund Manager may receive, for each fiscal year of the Fund, a performance fee (the “**Performance Fee**”). The amount of the Performance Fee, if any, shall be determined as at the Fiscal Year End of the Fund (the “**Performance Valuation Date**”), except in the case of Interim Performance Fees (as defined herein). The Performance Fee will be an amount equal to 20% of the difference, if any, between the net asset value per Unit (including any Distributions paid on the Units of the Fund) on the Performance Valuation Date, and the Hurdle Rate for such Units (after adjusting for capital transactions, subtracting the fees and expenses of the Fund from the net asset value of the Fund and before accruing Performance Fees for the period). For any partial fiscal year, including with respect to Interim Performance Fees, the Hurdle Rate will be pro-rated. Performance Fees, if earned, are calculated and accrued monthly and paid annually in arrears.

“**Hurdle Rate**” means: (a) initially, one-hundred and seven and one-half percent (107.5%) of the net asset value per Unit upon the issuance of a Unit; and (b) after the initial Performance Valuation Date for a Unit of the Fund, one-hundred and seven and one-half percent (107.5%) of the net asset value per Unit of the Fund on the last Performance Valuation Date for such Unit.

If any Units of the Fund are redeemed prior to the Performance Valuation Date, a Performance Fee, if earned, will be payable on the relevant Redemption Date in respect of such Units, as if such date were a Performance Valuation Date (the “**Interim Performance Fee**”), in the manner described above.

Operating Expenses

The Fund shall reimburse the Fund Manager for all reasonable costs and expenses incurred in connection with its duties as Fund Manager, including, without limitation, costs of Mortgage Portfolio transactions, all fees payable to the Fund Manager, custodial fees, legal, audit and valuation fees and expenses, any additional fees payable to third party service providers, expenses of the directors of the Fund Manager, premiums for directors’ and officers’ insurance coverage for the directors and officers of the Fund Manager, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, administrative expenses and costs incurred in connection with the continuous disclosure and filing requirements of the Fund and investor relations, fees and expenses relating to the voting of proxies by a third party, taxes, brokerage commissions, costs and expenses relating to the issue of securities of the Fund, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses that the Fund may incur, including the costs associated with the Fund Manager maintaining required licenses and registrations, and all amounts paid on account of indebtedness of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Fund Manager, the Trustee, and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

The expenses of the Fund will be allocated between the Classes as determined by the Fund Manager in its sole discretion. Each Class will bear separately any expense that can be specifically attributed to that Class. Common expenses will be allocated to the relative Class NAV of each Class, before adjusting for any Class Expenses.

The expenses of the Fund will not exceed 1% of the total assets of the Fund. It is the Fund Manager’s expectation, of which there can be no guarantee, that annual Fund expenses will amount to 0.5% of the total assets of the Fund.

The Fund Manager shall be entitled to reimbursement at the beginning of each fiscal quarter of the Fund on account of the general and administrative expenses of the Fund Manager (for which the Fund Manager is entitled to reimbursement) which the Fund Manager reasonably anticipates it will incur in such fiscal period.

Sales Commission

Registered Dealers may, at their discretion, charge purchasers of Class A Units a front-end sales commission of up to 5% of the Class NAV per Unit of the Fund. All amounts to be paid on Class I Units are to be negotiated between the Fund and the applicable Registered Dealer. Any such sales commission will be payable directly by the purchaser to their Registered Dealer. Class F Units are not subject to a sales commission.

No sales commission is payable by a Subscriber in respect of Units purchased directly from YTM Capital.

Trailing Commissions

The Fund Manager will pay a Registered Dealer an annual trailing commission of 0.5% of the value of the Unitholder's Class A Units in the Fund for as long as the Unitholder holds Units through that Registered Dealer. All amounts to be paid on Class I Units are to be negotiated between the Fund and the applicable Registered Dealer. The Fund Manager does not pay any trailing commissions with respect to Class F Units.

OFFERING

The Offering

The Fund is offering on a private placement basis Class A, Class F and Class I Units at a price equal to the Class NAV per Unit. Each Unit represents an undivided beneficial interest in the assets of the Fund.

All subscriptions are subject to acceptance by the Fund. See "Subscription Procedure". The Fund will not generally accept any subscription for less than \$25,000 for initial subscriptions, and \$5,000 for subsequent subscriptions by existing Unitholders. The Fund will not accept any subscription unless the sale of Units to the subscriber would qualify as an exempt distribution under applicable securities laws. See "Offering – Ineligible Subscribers for Units".

Additional Information

Prospective Subscribers are entitled to ask questions of the Fund or its representatives concerning the business and financial condition of the Fund and the terms and conditions of this Offering, and to request such data as may be necessary to enable the prospective Subscriber to make an informed investment decision. Furthermore, upon receipt of a written request, the Fund will provide copies of documents referred to in this Offering Memorandum to the extent such documents are in the Fund's possession or can be acquired by the Fund without unreasonable effort or expense.

Use of Proceeds

The Fund intends to use the net proceeds of the Offering to make future Mortgage investments and other Authorized Investments which are consistent with the Fund Manager's investment policies.

Eligible Subscribers for Units

Pursuant to this Offering Memorandum Units are being offered to Canadian resident investors pursuant to exemptions from the prospectus requirements under section 2.3 (accredited investor exemption) and, where applicable, the registration requirements under NI 31-103. (See "Offering – Ineligible Subscribers for Units" and "Offering – Plan of Distribution" below) or other exemptions where available. Such exemptions relieve the Fund from the provisions under such legislation requiring the Fund to utilize a Registered Dealer in most jurisdictions to sell the Units and to file a prospectus in connection with the Offering. Accordingly, purchasers of the Units will not receive the benefits associated with the involvement of such registrants or 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. To the extent any new registration requirements are found to be applicable to the Fund and/or its activities, the Fund will take the necessary steps to comply with such requirements.

Each Subscriber will be required to execute a Subscription Agreement, which includes certain representations of the Subscriber including the following:

- (a) if the Subscriber is an individual, the Subscriber has attained the age of majority and has legal capacity and competence to execute the Subscription Agreement and such other forms as may be required under the securities laws of the jurisdiction of residence of a Subscriber to lawfully subscribe for the Units and to take all actions required pursuant thereto;
- (b) if the Subscriber is a corporation, partnership, syndicate or trust or unincorporated organization (each an "Entity"):

- (i) the Entity has full power and authority to execute the Subscription Agreement and to take all actions required pursuant thereto and has obtained all necessary approvals of directors, shareholders, partners, members, or otherwise with respect thereto; and
 - (ii) the Entity was not created solely and is not being used primarily to permit the purchase of the Units without a prospectus, or if the Entity was created or is being used primarily for such a purpose, each shareholder of the corporation, member of the syndicate, partnership or other unincorporated organization or investment club or each beneficiary of the trust, as the case may be, is an individual who contributed to the Entity an amount of proceeds towards the purchase of the Units which is not less than the statutory minimum requirement for the purchase to have been made pursuant to a prospectus exemption (as to minimum contribution amount) contained in the applicable securities legislation of the Province or Territory of Canada in which the individual is a resident;
- (c) in the case of a corporation, the Subscriber is duly incorporated and organized under the laws of its jurisdiction of incorporation;
- (d) the Subscriber has made the subscription for the Units in compliance with applicable statutory exemptions from prospectus requirements for his, her or its own account for investment and not with a view to or for resale in connection with any Distribution or trade within the meaning of applicable securities legislation;
- (e) the Subscriber deals at arm's length with any corporation that carries on an insurance business; and
- (f) the Subscriber is a person, corporation or other entity who, by virtue of their net worth and investment experience or by virtue of consultation with or advice from a person or company who is not a promoter of the Fund and who is registered to provide financial advice, is able to evaluate the prospective investment on the basis of information respecting the investment provided for in this Offering Memorandum.

Ineligible Subscribers for Units

No Person in whom there is an interest which is a “tax shelter investment” (as that term is defined in the Tax Act), may subscribe for Units.

Plan of Distribution

Subscriptions received are subject to rejection or allotment by the Trustee in whole or in part. The Trustee 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. The Trustee has determined the subscription price per Unit arbitrarily.

The minimum subscription amount for each new Subscriber is \$25,000. The minimum subscription amount for existing Unitholders is \$5,000. The Trustee reserves the right to waive the minimum subscription amount, provided that it is in compliance with applicable securities laws.

Unless relying on an alternate exemption from the prospectus and, if necessary, registration requirements, Subscribers resident in or otherwise subject to the securities laws of any Province or Territory where the Units may be sold are required to fall within the definition of “accredited investor” set out under applicable securities laws in order to purchase the Units.

SUBSCRIPTION PROCEDURE

Subscribers may subscribe for Units in the Offering by delivering the following documents to the Fund at the address shown in the Subscription Agreement:

- (a) an executed Subscription Agreement, in the form provided with this Offering Memorandum; and

- (b) a cheque or bank draft made payable to “YTM Capital Mortgage Income Fund” in the amount of the subscription price for the Units or an irrevocable direction to a financial institution to deliver to the Fund full payment for the Units upon delivery of certificates representing such Units to the financial institution or to the Subscriber.

The Fund 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 Fund will hold the subscription funds in trust pending a Closing under this Offering. See “Purchaser's Rights”.

The Fund may collect, use and disclose individual personal information in accordance with the privacy policy of the Fund 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 Fund anticipates that there will be multiple Closings. The Fund may close any part of the Offering on any date as it may determine in its sole business judgment. The Fund 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 investment funds for subscription that are not accepted will be promptly returned after it has been determined not to accept the investment funds. Units of the Fund are fully “book based” so Unit Certificates will only be issued on request in the sole discretion of the Trustee.

Subscribers should carefully review the terms of the Subscription Agreement accompanying this Offering Memorandum for more detailed information concerning the rights and obligations of subscribers and the Fund. 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”.

DESCRIPTION OF UNITS

Units are subject to the terms and conditions of the Declaration of Trust. The statements in this Offering Memorandum concerning the Declaration of Trust are intended to be only a summary of the provisions of the Declaration of Trust and do not purport to be complete. A copy of the Declaration of Trust will be provided to each prospective Subscriber on request in writing to the Fund Manager. Prior to executing a Subscription Agreement, each prospective Subscriber should review with his, her or its advisors the provisions of the Declaration of Trust for the complete details of these provisions and all other provisions thereof. All capitalized terms in this section not otherwise defined herein shall have the meaning as set out in the Declaration of Trust.

Nature of Units

An investment in the Fund is represented by Units. Each Unit represents an undivided ownership interest in the net assets of the Fund attributable to its Class. The Fund is authorized to issue an unlimited number of Classes of Units, having such terms and conditions as the Trustee may determine and an unlimited number of Units in each such Class. Additional Classes of Units may be created in the future without notice to, or approval of, Unitholders.

Each of the Classes of Units offered in this Offering Memorandum are offered for sale and are distributed by Registered Dealers at an offering price equal to the Class NAV per Unit at the time of purchase.

The Fund is currently offering three (3) Classes of Units under this Offering Memorandum:

Class A Units are available to Canadian resident purchasers who qualify as “Accredited Investors”. Registered Dealers are entitled to be paid a sales commission in respect of sales of Class A Units. See “Fees and Expenses of the Fund - Sales Commission”.

Class F Units are available to: (i) purchasers who participate in fee-based programs through eligible Registered Dealers; (ii) qualified purchasers in respect of whom the Fund does not incur distribution costs; and (iii) qualified individual purchasers in the Manager’s sole discretion. An investor can only buy Class F Units of the Fund if the Fund Manager receives confirmation from its Registered Dealer that it is enrolled in an eligible program as described above. The Fund Manager establishes the terms and conditions that dealers must satisfy before they will sell Class F Units of the Fund to their clients. No sales commission is payable when an investor buys or redeems Class F Units of the Fund. If a Unitholder ceases to be eligible to hold Class F Units, the Fund Manager may, in its sole discretion, reclassify such Unitholder’s Class F Units as Class A Units

on 30 days' prior written notice, unless such Unitholder notifies the Fund Manager during the notice period and the Fund Manager agrees that the Unitholder is once again eligible to hold Class F Units.

Class I Units are available to institutional and certain high net worth investors at the discretion of the Fund Manager. Such investors are entitled to lower Management Fees than the Class A Units because of the lower cost of servicing an investment in the Fund with a large dollar value. The Fund Manager will negotiate the terms of purchase of Class I Units directly with each such investor, including the Management Fees charged in relation to such Class I Units. Any sales commission payable when an investor buys or redeems Class I Units is to be negotiated between the Fund and the applicable investment advisor. An investor must enter into a Class I Unit agreement with the Fund Manager before they can buy Class I Units. If a Unitholder ceases to be eligible to hold Class I Units or the Unitholder is in breach of the Unitholder's obligations under the Class I Unit agreement, the Fund Manager may, in its sole discretion, reclassify such Unitholder's Class I Units as Class A or Class F Units on 30 days' prior written notice, unless such Unitholder notifies the Fund Manager during the notice period and the Fund Manager agrees that the Unitholder is once again eligible to hold Class I Units or has cured the breach of its obligations under the Class I Unit agreement.

Although the money invested by investors to purchase Units of any Class of the Fund is tracked on a Class by Class basis in the administration records of the Fund, the assets attributable to of all Units will be combined into a single pool to create one portfolio for investment purposes.

Certain expenses, including Management Fees and liabilities of the Fund, as set out in this Offering Memorandum or as determined by the Manager, in its sole discretion, are attributed exclusively to a particular Class of Units ("**Class Expenses**").

All Units of the same Class have equal rights and privileges. Units and fractions thereof will be issued only as fully paid and non-assessable. Units will have no pre-emptive rights. Units of a particular Class entitle the holder thereof to vote at meetings of Unitholders where all Classes vote together, or to vote at meetings of Unitholders where that particular Class votes separately as a Class.

All Units of the same Class are entitled to participate pro rata: (i) in any allocations or Distributions made by the Fund to the Unitholders of the same Class; and (ii) upon liquidation of the Fund, in any Distributions to Unitholders of the same Class of net assets of the Fund attributable to the Class remaining after satisfaction of outstanding liabilities of such Class.

Units are not transferable, except by operation of law (for example, a death or bankruptcy of a Unitholder) or with the consent of the Fund Manager in accordance with applicable securities legislation. To dispose of Units, a Unitholder must have them redeemed.

The Fund may issue fractional Units so that subscription funds may be fully invested. 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, except with respect to voting rights. Outstanding Units of any Class may be subdivided or consolidated in the Fund Manager's discretion upon the Fund Manager giving at least 21 days' prior written notice to each Unitholder of its intention to do so. Units of a particular Class may be reclassified by the Fund Manager as Units of any other Class having an aggregate equivalent Class NAV if such reclassification is approved by the holder of the Units to be reclassified or with 30 days' prior written notice.

Subject to the consent of the Fund Manager, Unitholders may reclassify or switch all or part of their investment in the Fund from one Class of Units to another if the Unitholder is eligible to purchase that Class of Units. The timing and processing rules applicable to purchases and redemptions of Units also apply to reclassifications or switches between Classes of Units. Upon a reclassification or switch from one Class of Units to another Class, the number of Units held by the Unitholder will change since each Class of Units has a different Class NAV per Unit.

Unitholders should consult with their own tax advisors regarding any tax implications of reclassifying or switching between Classes of Units. See "Income Tax Considerations for Investors".

Redemption of Units

Units may be redeemed by presentation by the Unitholder to the Administrative Services Agent of a Redemption Notice to the principal office of the Administrative Services Agent in Toronto, Ontario specifying the number and Class of Units to be redeemed no later than 5:00 p.m. (Toronto time) sixty (60) days prior to the relevant Redemption Date. The Redemption Date

is the last day of each month. If the last day of each month is not a Business Day, the Redemption Date shall be the preceding Business Day. The Unitholder will receive payment in respect of any Units surrendered for redemption within thirty (30) Business Days of the relevant Redemption Date at a redemption price per Unit equal to the Redemption Amount. The Redemption Amount means in respect of Units a redemption price per Unit surrendered for redemption on the Redemption Date that is equal to 100% of the Class NAV per Unit of the relevant Class minus costs associated with the redemption, including commission, brokerage costs and other such costs, if any. The Fund Manager may waive the notice requirement in its discretion.

Any unpaid Distribution payable to Unitholders of record on or before a Redemption Date in respect of Units tendered for redemption will also be paid on the applicable redemption payment date. All redemption payments shall be made by wire transfer of immediately available funds or by cheque, drawn on a Canadian chartered bank or a trust company in lawful money in Canada to the order of the Unitholder who has surrendered Units for redemption. Payments made by the Fund of the Redemption Amount are conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the Unitholder unless such cheque is dishonoured upon presentment. Upon such payment, the Fund shall be discharged from all liability to the former Unitholder in respect of the Units so redeemed.

Any redemption notice that the Administrative Services Agent determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby. A failure by the Administrative Services Agent to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund or the Trustee to the Administrative Services Agent or the Unitholder.

The Trustee may, in its sole discretion, upon giving not less than ten (10) Business Days' written notice to any Unitholder, effect the compulsory redemption of all or any portion of the Units registered in the name of such Unitholder on the Business Day next following the expiry of the notice period at the Class NAV per Unit determined on the last preceding Valuation Date where, in the opinion of the Trustee, acting reasonably, the subscription for or holding of Units by such person is, was or may be in any way unlawful or detrimental to the interests or well-being of the Fund or its other Unitholders.

The Trustee may, at any time, specify alternative procedures for the delivery of Redemption Notices, definitive Unit Certificates, if any, and payment of Redemption Amounts.

For any period not exceeding 120 days during which the Trustee determines that conditions exist which render impractical the sale of Mortgages comprising 50% or more (by outstanding principal amount) of the Mortgage Portfolio or which impair the ability of the Trustee to determine the value of the assets of the Fund or the Mortgage Portfolio, the Fund may suspend redemptions of its Units. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Trustee of the suspension and that the redemption will be effected at a price determined on the next Redemption Date following the termination of the suspension or such other date as the Trustee may determine upon the conditions giving rise to such suspension having ceased to exist or no longer being applicable. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with the rules and regulations promulgated by any governmental body having jurisdiction over the Fund, any declaration of suspension made by the Trustee shall be conclusive.

Notwithstanding any other provisions of this section, "Redemption of Units", Units which are the subject of any suspension of redemption privileges pursuant to this section shall enjoy all rights as Unitholders until the redemption is effected.

Unitholder Liability and Indemnity

The Declaration of Trust provides that no Unitholder shall be subject to any personal liability whatsoever, in tort, contract or otherwise, to any Person in connection with Fund Property or the obligations or the affairs of the Fund or with respect to any agreement relating to the Fund or with respect to any act or omission of the Trustee, the Fund Manager, any custodian or any other Person in the performance or exercise, or purported performance or exercise, of any obligation, power, discretion or authority conferred upon the Trustee, the Fund Manager, any custodian or such other Person whether under the Declaration of Trust or otherwise or with respect to any transaction entered into by the Trustee, the Fund Manager, any custodian or by any

other Person whether pursuant to the Declaration of Trust or otherwise, and all such Persons shall look solely to the property and assets of the Fund for satisfaction of claims of any nature arising out of or in connection therewith and the Trust Property only shall be subject to levy or execution. No Unitholder shall be liable to indemnify the Trustee, the Fund Manager, any custodian or any other Person with respect to any such liability incurred or with respect to any taxes payable by the Fund or by the Trustee, the Fund Manager, any custodian or any other Person on behalf of or in connection with the Fund, except to the extent that any such liability may be satisfied from the Trust Property. Nothing herein shall preclude the Trustee from exercising any rights granted to it under the Tax Act or any other applicable taxation legislation to withhold from amounts payable to Unitholders or otherwise recover from Unitholders any taxes which the Fund has paid on behalf of Unitholders.

If, any Unitholder or any of their directors, officers, employees, consultants or agents shall be held personally liable as such to any other Person in respect of any debt, liability or obligation incurred by or on behalf of the Trust any action taken or omitted to be taken for or in connection with the affairs of the Fund, such Unitholder and their directors, officers, employees, consultants and agents (as applicable) shall be entitled to indemnity and reimbursement out of the property and assets of the Fund to the full extent of such liability and the costs of any litigation or other proceedings in which such liability shall have been determined, including the fees and disbursements of legal counsel.

Distribution Policy

The Fund will make Distributions to the Unitholders if, as and when declared by the Trustee. The Trustee currently intends that the Fund will make monthly Distributions to Unitholders, at the discretion of the Trustee. It is the intent of the Trustee to distribute 100% of Distributable Cash on a monthly basis.

The Trustee shall, for any Distribution Date, distribute any such Distributions to Unitholders of record of the relevant class as at the close of business on the immediately preceding Record Date in accordance with the Pro Rata Share of each Unitholder on the Record Date for such Distribution. If a Distribution is declared payable by the Trustee, each Unitholder shall have the right to enforce the payment of its share of such Distribution on any Distribution Date or on the Record Date for such Distribution if the Record Date is on or after the tenth (10th) Business Day prior to December 31 in a year; provided that such Distributions may, at the option of the Trustee and subject to compliance with applicable securities laws and the requirements of other regulatory authorities, be satisfied by the issuance of additional Units. For the purposes of this section, the value of the additional Units to be issued shall be the fair value thereof as the Trustee shall determine.

Additional Distributions

If the Fund's net income for tax purposes, including net realized taxable capital gains, for any year, net of any available loss carry forwards from prior years, exceeds the aggregate amount of the regular monthly Distributions made in the year to Unitholders, the Fund will also be required to pay one or more special Distributions (in either cash or Units) in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). See "Income Tax Considerations for Investors".

All or part of any such additional Distribution may, at the option of the Trustee and subject to compliance with applicable securities laws and the requirements of other regulatory authorities, be satisfied by the issuance of additional Units having a value equal to the amount of the additional Distribution not being satisfied in cash. The value of the additional Units to be issued shall be the fair value thereof as the Trustee shall determine.

Following such issue of additional Units on an additional Distribution Date, the outstanding Units will be automatically consolidated on a basis such that the number of consolidated Units (before giving effect to any redemption of Units on such date) is equal to the number of Units outstanding immediately preceding the additional Distribution Date, except in the case of a non-resident Unitholder if tax was required to be withheld in respect of the Distribution, in which case the consolidation will result in such Unitholder holding that number of Units equal to (i) the number of Units held by such Unitholder prior to the Distribution plus the number of Units received by such Unitholder in connection with the Distribution (net of withholding taxes) multiplied by (ii) the fraction obtained by dividing the aggregate number of Units outstanding prior to the Distribution by the aggregate number of Units that would be outstanding following the Distribution and before the consolidation if no withholding were required in respect of any part of the Distribution payable to any Unitholder.

Payment of Distributions

Unless a Unitholder is a participant in any distribution reinvestment plan established by the Fund from time to time, all cash Distributions payable to a Unitholder less any amount required to be withheld therefrom under applicable law, shall be paid in Canadian funds by the mailing or delivery of a cheque to each registered Unitholder or in such other manner as the Trustee determines, including but not exclusively wire payment or electronic funds transfer. Any payments so made shall, unless the cheque is not honoured on presentation, discharge the Fund and the Trustee from all liability to the Unitholder in respect of the amount thereof plus any amount required by law to be withheld. All Distributions will be made by cheque, electronic banking or FundSERV Inc. It is the Fund Manager's intent to register the Fund on FundSERV Inc.

Calculation of Class NAV per Unit

The Class NAV per Unit shall be calculated on each Valuation Date by the Trustee in accordance with the provisions of the Declaration of Trust. The Class NAV per Unit calculated as of the Valuation Time on any Valuation Date shall remain in effect until the Valuation Time on the next following Valuation Date. The Class NAV per Unit of a Class on any Valuation Date shall be calculated by dividing the Class NAV of such Class (including an allocation of amounts payable to Unitholders on or before such date) on such Valuation Date by the total number of Units of such Class outstanding on such Valuation Date (before giving effect to any issue of Units issued on that date or the redemption of Units redeemed on that date). The Class NAV per Unit shall be expressed in Canadian dollars.

In calculating the Class NAV per Unit on such Valuation Date, the net Class NAV of a Class will be calculated by subtracting the aggregate amount of the Fund's liabilities referable to such Class from the aggregate value of the Fund's assets referable to such Class. The aggregate value of the Fund's assets on such Valuation Date is to be determined as follows:

- (a) the value of any cash or its equivalent on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, Distributions, dividends or other amounts received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the net asset value is being determined, and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof provided that if the Fund Manager or the Valuation Agent has determined that any such deposit, bill, demand note, accounts receivable, prepaid expense, Distribution, dividend or other amount received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the net asset value is being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Fund Manager or the Valuation Agent determines to be the fair market value thereof;
- (b) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer in such securities or as the Fund Manager or Valuation Agent determines to be the fair market value;
- (c) the value of any non-mortgage debt securities will be valued by taking the average of the bid and ask prices on the date upon which the net asset value is calculated;
- (d) the value of any purchased or written clearing corporation options, options on futures or over-the-counter options, debt like securities and listed warrants shall be the current market value thereof;
- (e) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the total assets are being determined as determined by the Fund Manager or Valuation Agent (generally such asset will be valued at cost until there is a clear indication of an increase or decrease in value). Factors to be considered in determining fair market value will include the ability of the borrower to pay interest or repay the loan, changes in the condition of the asset and the public market valuations of similar assets;
- (f) any market price reported in a currency other than Canadian dollars shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Fund Manager or Valuation Agent; and
- (g) the value of any security or property to which, in the opinion of the Fund Manager or Valuation Agent (in consultation with the Fund Manager), the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined

in good faith in such manner as the Fund Manager or Valuation Agent, in consultation with the Fund Manager, from time to time adopts.

Publication of Class NAV Per Unit

The Fund will ensure that the Class NAV per Unit for each Class is calculated on each Valuation Date and communicated to Unitholders on no less than a monthly basis.

Withholding Taxes

The Fund may deduct or withhold from Distributions payable to any Unitholder all amounts required by law to be withheld from such Distribution and shall remit such funds to the appropriate taxation authorities in the time and manner required by law.

Encroachment on Capital

For greater certainty, the Trustee may encroach on and pay from the capital of the Fund an amount payable if the Fund's net income, calculated without regard to the provisions of the Tax Act, is insufficient to permit payment of the amount so payable.

Meetings of Unitholders

A meeting of the Unitholders may be called at any time by the Trustee and shall be called by the Trustee upon written request of Unitholders holding in the aggregate of not less than twenty percent (20%) of the Units then outstanding, which request must specify the purpose or purposes for which such meeting is to be called. Meetings of Unitholders shall be held at the head office of the Fund, or such other place as the Trustee shall determine and designate.

Notice of all meetings of Unitholders shall be given in accordance with applicable laws. Any adjourned meeting may be held as adjourned, without further notice. The accidental omission to give notice to or the non-receipt of notice by a Unitholder shall not invalidate any meeting of Unitholders or any action taken by Unitholders at such meeting. Notwithstanding the foregoing, a meeting of Unitholders may be held at any time without notice if all the Unitholders are present or represented thereat or those not so present or represented have waived notice, provided the Trustee is also present at the meeting. Any Unitholder (or duly appointed proxy of a Unitholder) may waive any notice required to be given under the provisions of the Declaration of Trust, and such waiver, whether given before or after the meeting, shall cure any default in the giving of such notice. The Trustee shall be given at least five (5) Business Days' notice of any meeting of Unitholders.

At any meeting of Unitholders, except for the purpose of any meeting called to consider a resolution relating to the termination of the Fund Manager in which case the quorum shall be Unitholders representing not less than twenty five percent (25%) of the Units then outstanding, subject as hereinafter provided, a quorum shall consist of two or more Unitholders present in person or by proxy representing not less than ten percent (10%) of the Units then outstanding. In the event of such quorum not being present on the date for which the meeting is called within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of Unitholders, shall be dissolved, but in any other case, the meeting shall stand adjourned to such day being not more than fourteen (14) days later and to such place and time as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting) and if at such adjourned meeting a quorum as defined above is not present, the Unitholders present either in person or by proxy shall be deemed to constitute a quorum.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended by: (a) the written consent of the Unitholder in lieu of a meeting if there is only one Unitholder; or (b) where there is more than one Unitholder, (i) by a resolution in writing circulated to all Unitholders not less than 10 days prior to its effective date and executed by Unitholders holding more than 50% of the outstanding Units entitled to be voted on such resolution if such resolution is an Ordinary Resolution, or (ii) a resolution in writing circulated to all Unitholders not less than 10 days prior to its effective date and executed by Unitholders holding more than two-thirds of the outstanding Units entitled to vote on such resolution if such resolution is a Special Resolution. Such written consent or resolution in writing circulated and passed by the requisite majority of Unitholders shall be as valid and binding for all purposes

of this Declaration of Trust as if such Unitholders had exercised at that time all of the voting rights to which they were then entitled in favour of such resolution at a meeting of Unitholders duly called for the purpose.

The Declaration of Trust may be amended by an Ordinary Resolution except for the following which may only be undertaken with the approval of the Unitholders by a Special Resolution:

- (a) the removal of the Trustee or any of its affiliates as the trustee of the Fund;
- (b) any change in the Investment Objectives or Investment Restrictions, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (c) any increase in the Management Fee;
- (d) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (e) any change in frequency of calculating Class NAV per Unit to less often than monthly;
- (f) the issuance of additional Units, including any offering of rights, warrants or options to existing Unitholders to acquire Units, other than: (i) for net proceeds per Unit equal to or greater than 100% of the most recently calculated Class NAV per Unit of the relevant Class calculated prior to the entering into of the commitment by the subscriber to purchase such Units or prior to the offering, as the case may be; or (ii) by way of Unit Distribution.
- (g) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;
- (h) any liquidation, dissolution or termination of the Fund except if it is determined by the Trustee, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Declaration of Trust; and
- (i) any amendment to the above exceptions except as permitted by the permissible amendments listed below.

The Trustee is entitled to amend the Declaration of Trust without the consent of, or notice to, the Unitholders, in order to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not, in the opinion of the Trustee, adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or increase the Trustee's respective responsibilities; or
- (d) provide added protection or benefit to Unitholders; or
- (e) maintain the status of the Fund as a "unit trust" and a "mutual fund trust" for the purposes of the Tax Act or to respond to amendments to the Tax Act or the interpretation thereof.

A declaration by the chairman of a duly constituted meeting of Unitholders as to the results of any vote of Unitholders, by ballot or otherwise, shall be deemed to be the decision of the Unitholders. At all meetings of Unitholders, each Unitholder entitled hereunder to vote thereat shall have one vote for each whole Unit held. The Fund Manager shall not be entitled to vote any Units held beneficially by it in any vote of Unitholders respecting the Fund Manager or the Management Provisions.

Except for the appointment of a successor as the Fund Manager or an appointment of auditors and as set forth in “Amendments to the Declaration of Trust” in the Declaration of Trust, no action taken by the Unitholders and no resolution of the Unitholders at any meeting shall in any way bind the Trustee other than any resolution of the Unitholders in respect of any matter required by securities laws, stock exchange rules or other laws or regulations to be submitted to the Unitholders for their approval. Any action taken or resolution passed in respect of any matter at a meeting of Unitholders shall be carried out in the manner set forth in “Amendments to the Declaration of Trust” in the Declaration of Trust, by Ordinary Resolution of the Unitholders unless otherwise specifically provided under any specific provision of the Declaration of Trust.

Every resolution passed in accordance with the provisions of the Declaration of Trust at a meeting of Unitholders shall be binding on all Unitholders, whether present at or absent from such meeting, and each Unitholder shall be bound to give effect accordingly to every such resolution.

Record Dates

For the purpose of determining the Unitholders who are entitled to receive notice of and vote at any meeting or any adjournment thereof, or who are entitled to receive any Distribution, or for the purpose of any other action, the Trustee may from time to time, without notice to Unitholders, close the transfer books for such period, not exceeding thirty (30) days, as the Trustee may determine; or without closing the transfer books the Trustee may fix a date for the determination of Unitholders entitled to receive notice of and vote at such meeting or any adjournment thereof or to be treated as Unitholders of record for purposes of such other action, and any Unitholder who was a Unitholder at the time so fixed shall be entitled to receive notice of and vote at such meeting or any adjournment thereof, even though he has since that date disposed of his Units, and no Unitholder becoming such after that date shall be entitled to receive notice of and vote at such meeting or any adjournment thereof or to be treated as a Unitholder of record for purposes of such other action.

Proxies

At any meeting of Unitholders, any Unitholder entitled to vote thereat may vote by proxy and a proxy need not be a Unitholder, provided that no proxy shall be voted at any meeting unless it shall have been placed on file with the Trustee, or with such other agent of the Fund as the Trustee may direct, prior to the commencement of such meeting. If approved by the Trustee, proxies may be solicited by the Fund naming the Fund Manager, or any director or officer of the Fund Manager, as proxy and the cost thereof paid out of the property and assets of the Fund. When any Unit is held jointly by several Persons, any one of them may vote at any meeting in person or by proxy in respect of such Unit, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote shall not be received in respect of such Unit. The instrument appointing any proxy shall be in such form and executed in such manner as the Trustee may from time to time determine.

Financial Statements and Tax Information

The Fund shall prepare and file such financial statements and other continuous disclosure documents as are required by applicable law. The Fund Manager will make available to Unitholders on or before March 31 of each year such other reports as are from time to time required by applicable law, including prescribed forms needed for completion of the Unitholders’ tax returns under the Tax Act and equivalent provincial legislation.

The Fund Manager will cause to be maintained with respect to the Fund the same records, where applicable, as are required to be maintained by Section 140(1) of the OBCA. Unitholders will be entitled to have access to such records and to take extracts therefrom, including obtaining a list of Unitholders, to the same extent and subject to the same conditions as provided in Section 145(1) of the OBCA.

Appointment of Inspector

The Trustee shall call a meeting of Unitholders upon the written request of Unitholders holding in the aggregate not less than ten percent (10%) of the Units then outstanding for the purpose of considering the appointment of an inspector to investigate the performance by the Trustee and the Fund Manager of their responsibilities and duties in respect of the Fund and an inspector may be appointed for such purpose, at the expense of the Fund, at such meeting by an Ordinary Resolution.

Notice to Unitholders

Any and all notices to which any Unitholder hereunder may be entitled and any and all other communications to Unitholders may be provided in such manner as permitted by applicable law and shall be deemed to have been duly given if mailed, postage prepaid, addressed to any Unitholder of record at his address of record on the register of Unitholders, or at such other address as shall be furnished in writing by him to the Fund for such purpose or published in a national newspaper.

Unit Certificates

The provisions of the section, "Unit Certificates", in the Declaration of Trust, shall not in any way alter the nature of the Units or the relationships of a Unitholder to the Trustee and of one Unitholder to another but are intended only to facilitate the issuance of certificates evidencing the ownership of Units if the Trustee, in its sole discretion, decides to issue them to Unitholders and the recording of all transactions in respect of Units and Unit Certificates whether by the Fund, securities dealers, stock exchanges, transfer agents or other persons.

The Trustee may, in its sole discretion, but is not obligated to, issue a Unit Certificate to each Unitholder or his duly authorized agent. Such Unit Certificate, if issued, will bear an identifying serial number in respect of the class of Units held by the Unitholder, signed in the manner hereinafter prescribed, but the Trustee is not bound to issue more than one Unit Certificate in respect of a Unit or Units held jointly or in common by two or more Persons and delivery of a Unit Certificate to one of them shall be sufficient delivery to all. The Trustee does not currently intend to issue Unit Certificates. The Trustee may establish a reasonable fee to be charged for every Unit Certificate issued, if Unit Certificates are issued, and the fee shall be paid by the Fund. The Unit Certificate, if issued, shall be in such form and shall contain such information as is from time to time approved by the Fund Manager, subject to applicable law.

Register of Unitholders

The Register shall be kept by, or on behalf and under the direction of, the Trustee, which Register shall contain the names and addresses of the Unitholders, the respective numbers and classes of Units held by them, the certificate numbers of the Unit Certificates representing such Units, if Unit Certificates are issued, and a record of all transfers and redemptions thereof. Only Unitholders whose Units are so recorded shall be entitled to receive Distributions and to exercise or enjoy the rights of Unitholders hereunder. The Person registered as a Unitholder on the Register shall be treated as the owner of such Unit for all purposes, including without limitation payment of any Distribution, giving notice to Unitholders and determining the right to attend and vote at meetings of Unitholders. Accordingly, neither the Trustee nor the Fund Manager shall be bound to recognize any transfer or attempted transfer, pledge or other disposition of a Unit, or any equitable or other claim with respect thereto, whether or not the Fund, the Trustee or the Fund Manager shall have actual or other notice thereof, until such Unit shall have been transferred on the Register as herein provided.

Transfer Agents and Registrars

In pursuance of its power to engage the services of consultants and agents, the Trustee may appoint itself or one of its affiliates and/or one or more service providers to act as transfer agent(s) for the Units (which may be but need not be the Trustee) and may provide for the transfer of Units in one or more places within or outside Canada (provided that if such appointments are made there shall be a transfer agent and registrar within the Province of Ontario). The Trustee may enter into agency agreements with the transfer agent and may pay their compensation out of the property and assets of the Fund. In the event of such appointment, such transfer agents shall keep all necessary registers and other books, including electronic books, for recording original issues and registering and transferring the Units. If the Trustee has appointed a transfer agent, and decides in its sole discretion to issue Unit Certificates, no Unit Certificate shall be valid unless countersigned by or on behalf of a transfer agent. Except as required by the Declaration of Trust, or by the Trustee, such transfer agents shall perform those functions and duties usually performed by transfer agents of shares of corporations having share capital. In the case of an original issue of Units, any transfer agent may rely and act upon the written instruction of the Trustee without inquiry into the receipt by the Fund of, or the sufficiency of, the consideration for such original issue. The Trustee currently intends that the Administrative Services Agent act as the Fund's transfer agent pursuant to the Administrative Services Agreement. In accordance with the usual custom of corporations with share capital which have a registrar and transfer agent, signed Unit Certificates in blank may be deposited by the Trustee with any transfer agent, to be used by the transfer agent in accordance with the authority, conferred upon it as occasion may require, and in so doing neither the Trustee nor other signatory of such Unit Certificates shall be responsible for any loss resulting from such deposit.

Transfer of Units

Subject to the Fund Manager's approval, Units may be transferred at any time and from time to time by endorsement and delivery of the Unit Certificates (if Unit Certificates are being issued) in the same manner and subject to the same provisions and conditions, so near as may be, as are applicable to transfers of shares of a corporation incorporated pursuant to the OBCA. Transfers shall be recorded on the Register and a new Unit Certificate for the Units so transferred may be issued to the transferee, and in case of a transfer of only part of the Units represented by any Unit Certificate, a new Unit Certificate for the residue thereof may be issued to the transferor.

The Trustee shall not impose any restriction on the transfer of Units except pursuant to the section, "Transfer of Units", in the Declaration of Trust, unless such restriction is necessary in the opinion of counsel to the Fund: (i) as a condition of obtaining or maintaining the status of the Fund as a "unit trust" or a "mutual fund trust" under the Tax Act; (ii) in order to comply with any applicable laws, regulations or other requirements imposed by regulatory authorities; or (iii) in order to obtain, maintain or renew any licences, rights, status or powers pursuant to any other applicable laws, regulations or other requirements imposed by any stock exchange or other applicable regulatory authorities. If any such restriction is or becomes necessary, the Trustee shall have the power to restrict the transfer of Units on the books of the Fund without liability to Unitholders or others who are thereby restricted from making a transfer.

The Trustee may require any Unitholder, upon demand from time to time, to disclose to the Trustee in writing such information with respect to direct and indirect ownership of Units as the Trustee may deem necessary to comply with any of the foregoing.

Unit Certificates (if Unit Certificates are being issued) representing any number of Units may be exchanged without charge for Unit Certificates representing an equivalent number of Units in the aggregate. Any exchange of Unit Certificates may be made at the offices of any transfer agent appointed by the Trustee where registers are maintained for Unit Certificates pursuant to the provisions of the section, "Transfer of Units", in the Declaration of Trust. Any Unit Certificates tendered for exchange shall be surrendered to the Trustee or appropriate transfer agent and then shall be cancelled.

The Trustee, the Fund Manager, the Unitholders, any transfer agent or other agent of the Fund or the Trustee shall not be bound to see to the performance of any trust, express, implied or constructive, or of any charge, pledge or equity to which any of the Units or any interests therein are or may be subject, or to ascertain or inquire whether any sale or transfer of any such Units or interests therein by any such Unitholder or his personal representatives is authorized by such trust, charge, pledge or equity, or to recognize any Person as having any interest therein, except for the Person recorded as a Unitholder.

Successors in Interest of Unitholders

Any Person becoming entitled to any Units as a consequence of the death, bankruptcy or incompetence of any Unitholder, or otherwise by operation of law, shall be recorded as the holder of such Units and shall receive a new Unit Certificate (if Unit Certificates are being issued) therefor upon production of evidence thereof satisfactory to the Trustee and delivery of the existing Unit Certificate to the Trustee or a transfer agent. Until such record is made, the Unitholder of record shall continue to be and be deemed to be the holder of such Units for all purposes, whether or not the Trust, the Trustee, the Fund Manager, or a transfer agent shall have actual or other notice of such death, bankruptcy, incompetence or other event.

Units Held Jointly or in Fiduciary Capacity

The Fund may treat two or more Persons holding any Unit as joint owners of the entire interest therein unless their ownership is expressly otherwise recorded on the Register, but no entry shall be made in the Register or on any Unit Certificate (if Unit Certificates are being issued) that any Person is in any other manner entitled to any future, limited or contingent interest in any Unit; provided, however, that any Person recorded as a holder of any Unit may, subject to the provisions herein contained, be described in the Register or on any certificate as a fiduciary of any kind and any customary words may be added to the description of the holder to identify the nature of such fiduciary relationship.

Lost Certificates

In the event that Unit Certificates are issued and any Unit Certificate is lost, stolen, destroyed or mutilated, the Trustee may authorize the issuance of a new Unit Certificate for the same number of Units in lieu thereof. The Trustee may in its discretion, before the issuance of such new Unit Certificate, require the owner of the lost, stolen, destroyed or mutilated Unit Certificate,

or the legal representative of the owner, to make such affidavit or statutory declaration setting forth such facts as to the loss, theft, destruction or mutilation as the Trustee deems necessary and may require the applicant to supply to the Fund a “lost certificate” or similar bond in such reasonable amount as the Trustee directs, indemnifying the Trustee, the Fund Manager and the transfer agents for so doing. The Trustee shall have the power to acquire from an insurer or insurers a blanket lost security bond or bonds in respect of the replacement of lost, stolen, destroyed or mutilated Unit Certificates. The Fund shall pay all premiums and other sums of money payable for such purpose out of the Fund Property with such contribution, if any, by those insured as may be determined by the Trustee. If such blanket lost security bond is acquired, the Trustee may authorize and direct (upon such terms and conditions as the Trustee may from time to time impose) any transfer agent, trustee, paying agent or others to whom the indemnity of such bond extends to take such action to replace lost, stolen, destroyed or mutilated Unit Certificates without further action or approval by the Trustee. The Trustee shall be entitled to charge a reasonable fee to Unitholders for the replacement of lost Unit Certificates.

Death of Unitholders

The death of a Unitholder during the continuance of the Fund shall not terminate the Fund or any of the mutual or respective rights and obligations created by or arising under the Declaration of Trust or give such Unitholder’s legal representatives a right to an accounting or to take any action in the courts or otherwise against other Unitholders or the Trustee, the Fund Manager, or the property and assets of the Fund, but shall only entitle the legal representatives of the deceased Unitholder to be recorded as the holder of such Units and to demand and receive, pursuant to the provisions of the section, “Death of Unitholders”, in the Declaration of Trust, a new Unit Certificate (if Unit Certificates are being issued) in place of the Unit Certificate held by the deceased Unitholder, if applicable, and upon the making of such record such legal representatives shall succeed to all rights of the deceased Unitholder under the Declaration of Trust.

Unclaimed Interest, Dividends or Distributions

In the event that the Trustee holds any distributable amounts which are unclaimed or which cannot be paid for any reason, neither the Trustee nor its Distribution disbursing agent shall be under any obligation to invest or reinvest the same but shall only be obligated to hold the same in a current or other non-interest bearing account with a chartered bank or trust company, pending payment to the Person or Persons entitled thereto. The Trustee shall, as and when required by law, and may at any time prior to such required time, pay all or part of the distributable amounts so held to the public trustee (or other similar government official or agency) whose receipt shall be a good acquittance and discharge of the obligations of the Trustee.

Notice to Unitholders of Non-Eligibility for Exempt Plans

If the Trustee becomes aware that the Units have ceased to be qualified investments for Exempt Plans or any of such plans, the Trustee shall give notice to Unitholders at their latest address as shown on the Register that Units have ceased to be qualified investments for such plans. The Trustee shall not be liable to the Fund or to any Unitholder for any costs, expenses, charges, penalties or taxes imposed upon a Unitholder as a result of or by virtue of a Unit not being a qualified investment for any such plan, notwithstanding any failure or omission of the Trustee to have given such notice, provided the Trustee has complied with the section, “Standard of Care and Duties of Trustee”, of the Declaration of Trust.

Declaration as to Beneficial Owner

The Trustee may require any Unitholder as shown on the Register to provide a declaration, in a form prescribed by the Trustee, as to the beneficial owner of Units registered in such Unitholder’s name, the jurisdiction in which such beneficial owner is resident, and such other information as may be necessary in order to carry out the provisions of the Declaration of Trust.

Termination of the Fund

The Fund shall continue until terminated in accordance with the terms contained in the section, “Termination of Trust” of the Declaration of Trust. In the event that the Fund Manager resigns and no new fund manager is appointed by the Trustee within one-hundred and twenty (120) days of the Fund Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is sixty (60) days following the end of such one-hundred and twenty (120) day period. The Trustee may, in its discretion and upon not less than sixty (60) days prior written notice to the Unitholders by way of press release, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders.

Prior to any termination date, the Trustee shall proceed to wind up the affairs of the Fund and may fulfill or discharge the contracts of the Fund, perform or cause the Auditors to perform any final audit of the property and assets of the Fund, collect the Fund's assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining property and assets of the Fund to one or more Persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities, and do all other acts appropriate to liquidate its affairs. The Trustee may declare a suspension in the sale of Units or reserve for certain expenses related to the termination of the Fund to ensure all Unitholders are treated alike. The Trustee shall determine if it is in the best interests of the Unitholders to allow Fund Property to mature and be repaid to the Fund or to sell and convert into money the property and assets of the Fund and after paying, retiring or providing for the payment of all known liabilities and obligations of the Fund, and providing for indemnity against any other outstanding liabilities and obligations, the Trustee shall divide the proceeds of sale, and any portion of the property and assets of the Fund not sold in connection with such termination, among the Unitholders rateably according to the respective number of Units held by them. In making any sale under this provision, the Trustee shall have the power to sell by public auction or by private contract and to buy in or rescind or vary any contract of sale and to resell without being answerable for loss and, for said purposes, to do all things, including the execution and delivery of documents, as may be shown to be in its judgment necessary or desirable in connection therewith. The powers of sale and all other powers herein given to the Trustee shall continue as to all property at any time remaining in its hands or ownership, even though the time fixed for Distribution of the property and assets of the Fund may have passed. Any securities or other property and assets of the Fund the liquidation of which is not practicable or in respect of which the Fund Manager considers liquidation not to be appropriate prior to the termination date shall be distributed to Unitholders in specie.

To the extent that the affairs of the Fund have not been completely wound up and all of the property and assets of the Fund distributed to Unitholders on or prior to the termination date, the Declaration of Trust shall continue in force and effect to the extent necessary or desirable to permit the Trustee to complete the winding up of the affairs of the Fund and distribute the remaining property and assets of the Fund to Unitholders as soon as practicable and, in such event, the Trustee shall carry on no activities on behalf of the Fund except for the purpose of winding up the affairs of the Fund.

Reporting Obligations of the Fund

The Fund is not a reporting issuer and is therefore not subject to most of the continuous reporting obligations imposed on reporting issuers by securities legislation in the jurisdiction in which this Offering is being made. Audited financial statements will be made available to Unitholders annually and Management Commentary of the Fund made available quarterly. In addition, Unitholders will be given a monthly statement of account and will also be given notice of and be entitled to attend and vote at any meetings of the Unitholders of the Fund.

RESALE RESTRICTIONS

The Fund has not filed a prospectus in connection with the issuance of the Units. As a consequence of the Fund offering the Units in reliance upon exemptions from the prospectus and registration requirements under the laws of the Provinces and Territories of Canada, 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 Provinces and Territories or pursuant to available prospectus and 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.

YTM CAPITAL POLICIES

The Fund Manager has created a series of policies designed to mitigate potential conflicts between the Fund Manager and the Fund. This section describes those policies.

Related and Connected Issuers Policy

The Fund Manager may engage in activities as an adviser and as an exempt market dealer in respect of securities of related or connected issuers but will do so only in compliance with applicable securities laws.

Securities laws require dealers and advisers, when they trade in or advise with respect to their own securities or securities of certain other issuers to which they are related or connected, to do so only in accordance with disclosure and other rules. These rules require dealers and advisers, prior to trading with or advising their customers or clients, to inform them of the relevant relationships and connections with the issuer of the securities.

The Fund Manager will be acting as an adviser, exempt market dealer, and investment fund manager in Ontario. As a result, potential conflicts of interest could arise in connection with the Fund Manager acting in all of these capacities. As an exempt market dealer, the Fund Manager intends only to sell securities issued by related investment funds organized by the Fund Manager. It will not be paid by the related fund for acting in that capacity, nor will an investor in the related fund pay the Fund Manager any commission. Accordingly, there is no opportunity for a potential conflict to arise as there would be if, for example, the Fund Manager also sold or sought investors for, securities of unrelated issuers. The Fund Manager's relationship with such funds will be fully disclosed to all potential investors.

The definitions of the terms "related issuer" and "connected issuer" can be found in National Instrument 33-105 Underwriting Conflicts of the Canadian Securities Administrators. The Fund is a related and connected issuer of the Fund Manager.

Personal Conduct Policy

The Fund Manager has adopted a policy that restricts personal activities by Fund Manager employees that may create conflicts with the Fund in three main areas. First, trading by the employees of the Fund Manager is restricted in order to mitigate conflict between such personal trading and the interests of accounts advised by the Fund Manager. Despite these restrictions, The Fund Manager and its shareholder, director, and officers and affiliates may from time to time invest in Mortgages that the Fund is also invested in. This may include investments that rank senior or subordinated to the Fund's investments. The same group may also invest in Mortgages once the Fund has declined to invest for whatever reason. Second, the policy restricts the acceptance of gifts, entertainment, or other benefits by Fund Manager employees, including the portfolio managers, where the acceptance might reasonably be viewed to create a potential conflict between the employee and the Fund. Third, outside business activities of all registered Fund Manager employees are monitored and restricted to those that do not reasonably give rise to the potential for conflict. Although none of the Trustee, the director or officers of the Fund Manager will devote all of his full time to the business and affairs of the Fund, each will devote as much time as is necessary to supervise the management of, to manage or to advise on the business and affairs of, the Fund and its individual members and business. See "Management of the Fund".

Error Policy

Where errors are made by the Fund Manager that have a financial impact on the Fund, the error policy acts as a guide for the Fund Manager to determine whether any financial impact is material and, if it is, whether, and on what basis, the Fund is compensated.

Referral Arrangements Policy

The Fund Manager may enter into referral arrangements whereby it pays a fee for the referral of a client to the Fund Manager or to the Fund. No such payments will be made unless the referred investors are advised of the arrangement and that arrangement is made in compliance with securities laws.

RISK FACTORS

In addition to factors set forth elsewhere in this Offering Memorandum, 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. An investment in the Fund may not be suitable for certain investors and is not intended as a complete investment program. There is a risk that an investor may lose some of his or her investment in the Fund. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund.

Market for the Units

As there is no developed market for the Units and the Units are subject to overall restrictions under securities laws, a Unitholder will not be able to liquidate his investment or withdraw his capital at will. Other than in accordance with the redemption rights attached to the Units, the redemption of which may be suspended or prorated in extraordinary circumstances as described in “Description of Units – Redemption of Units” above, a Unitholder may never be able to sell his Units and recover any part of his investment. Accordingly, an investment in Units should only be considered by investors who do not require liquidity.

No Assurance in Achieving Investment Objectives or Making Distributions

There is no assurance that the Fund or will be able to achieve its investment objectives. Furthermore, there is no assurance that the Fund will be able to pay Distributions in the short or long term, nor is there any assurance that the net asset value of the Fund will appreciate or be preserved.

The Units Are Not Insured

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

Custody of Fund Assets

BMO holds custody of certain assets, SGGG holds cash, and mortgage originators hold mortgages by registering their name on title, acting as trustee for the Fund. These arrangements are consistent with securities law and are intended to protect investor assets from the risk of fraud and bankruptcy. There is, however, a residual risk of fraud or bankruptcy related to the involvement of mortgage originators, SGGG and BMO that cannot be mitigated and that is borne by the Fund. This risk is greater than the risk borne by funds offered by simplified prospectus because certain mortgage originators and SGGG have not agreed to discharge a standard of care in administering duties and the standard of care agreed to by BMO is less protective than the standard of care required of custodians to funds offered by simplified prospectus.

Unitholder Liability

The Declaration of Trust limits the liability of Unitholders in respect of the Fund and states that the assets of the Fund only are intended to be liable and subject to levy or execution for satisfaction of Fund liabilities and that no resort is to be had to, nor recourse or satisfaction sought from, the private property of any Unitholder in respect of such liabilities.

Notwithstanding the above, to the extent that claims are not satisfied by the Fund, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of the Fund where the liability is not disclaimed in the contracts or arrangements entered into by the Fund with third parties. The Fund will make best efforts to disclaim and limit Unitholder liability through contractual means by way of limiting provisions. Personal liability may also arise in respect of claims against the Fund that do not arise under contracts, including claims in tort, claims for taxes and certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered by the Fund's management to be remote due to the nature of the Fund's activities as beneficiary and creditor and the Trustee's obligations pursuant to the Declaration of Trust. Further, in the unlikely event of Unitholder liability, such liability will be limited to the net assets of the Fund. In the event that payment of a Fund obligation is required to be made by a Unitholder, such Unitholder is entitled to reimbursement from the available assets of the Fund.

History of Operation

Although the Trustee and the principals of the Fund Manager have substantial experience in the real estate and/or mortgage industries, the Fund is a ten year old investment trust with relatively limited operating history. Investors must rely on the ability, expertise, judgment, discretion, integrity and good faith of the Trustee and the principals of the Fund Manager. See “Management of the Fund”.

Performance Fees

The estimated Performance Fee, if any, payable to the Fund Manager will be accrued at each Valuation Date as a liability of the Fund, ultimately reducing the Class NAV per Unit of the Fund. The redemption price received by an investor whose Units are redeemed will reflect an accrual for performance bonuses, based on any increase in Class NAV per Unit from the beginning of the fiscal year through the date of redemption. However, the accrual of performance bonuses may subsequently be reversed if the Fund’s performance declines, and no adjustment to a redemption price will be made after it has been fixed.

Reliance on Trustee

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 Trustee in administering and managing the Fund. Although approval of the Unitholders is required for certain matters, Unitholders have no right to take part in the management of, or the stated purpose of the Fund and the Fund will be bound by the decisions of the Trustee as provided in the Declaration of Trust. It would be inappropriate for investors who are unwilling to rely on the Trustee to this extent to subscribe for Units. There is no certainty that the person who is currently the Trustee will continue to be available to the Fund for the entire period during which it requires the provision of his services.

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 for Mortgages reflect the general level of interest rates and, as interest rates fluctuate, management of the Fund expects that the aggregate yield on Mortgage investments will also change.

Trustees and Principals Engage in Other Activities

Although none of the Trustee or the principals of the Fund Manager will devote all of their full time to the business and affairs of the Fund, each will devote as much time as is necessary to supervise the management of, to manage or to advise on the business and affairs of, the Fund. See “Management of the Fund”.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or Unitholders.

Status of the Fund

As the Fund is not offered by way of a prospectus, the Fund is not subject to the Canadian policies and regulations that apply to retail mutual funds, including NI 81-102.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under provisions of that statute or any other legislation.

Changes in the Economy and Credit Markets

Historically, global financial markets have been subject to periods of volatility and uncertainty, driven by a wide range of factors at any given point in time. Currently, financial markets are slowly recovering from the unprecedented volatility caused by the impairment of financial assets held by lending institutions around the world. A number of major financial institutions have commenced bankruptcy proceedings or have sought and received significant financial assistance from governmental authorities. Access to financing has been negatively impacted by sub-prime mortgages, the liquidity crisis affecting the asset-backed commercial paper market and seriously compromised collateral in the derivatives markets, most notably, collateralized debt obligations (CDOs), credit default swaps (CDSs) and structured investment vehicles (SIVs). This has led to a severe reduction in financial liquidity and credit resulting in a widespread de-leveraging and repricing of all financial asset classes, resulting in the bankruptcy, liquidation, seizure and restructuring of many large global financial institutions outside Canada. These factors may impact the ability of the Fund to maintain a funding facility with arm’s length third party institutions on terms favourable to the Fund. Volatility in financial markets may also be reflected in volatility in the market value of the Real Property underlying the Mortgage Portfolio.

Nature of the Investments

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

are satisfied, the appraised value may not necessarily reflect the market value of the Real Property at the time the conditions are satisfied.

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

Availability of Investments

Because the source of all of the Fund's investments is through the Network, and therefore indirectly the Fund, the Fund is exposed to adverse developments in the business and affairs of the Network, to its management and financial strength, to its ability to operate its businesses profitably and to its ability to retain mortgage brokerage licenses issued to it under applicable legislation. The ability of the Fund to make investments in accordance with its objectives and investment policies depends upon the availability of suitable investments and the amount of funds available.

The Network must render its services under various agreements honestly and in good faith and must use reasonable commercial efforts to perform its duties and responsibilities under the agreements in a conscientious, reasonable and competent manner. However, the services of the Network, the directors and officers of the Network and the members of its credit committee are not exclusive to the Fund. The Fund Manager, its directors and officers, its affiliates, members of its credit committee and their affiliates may, at any time, engage in promoting or managing other entities or their investments including those that may compete directly or indirectly with the Fund, and the Network has sole discretion in determining which Mortgages and investments it will make available to the Fund for investment.

Limited Sources of Borrowing

The Canadian financial marketplace has a limited number of financial institutions that provide credit to entities such as the Fund. The limited availability of sources of credit may limit the Fund's ability to take advantage of leveraging opportunities to enhance the yield on its Mortgage investments. The Fund intends to limit its exposure to the potential scarcity of such credit facility by continuously seeking out new sources of credit.

Renewal of Mortgages and Variable Interest Rates

There can be no assurances that any of the Mortgages comprising the Mortgage 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 comprising the Mortgage Portfolio, it is possible that the mortgagor, the mortgagee or both, will not elect to renew such Mortgage. In addition, if the Mortgages in the Mortgage Portfolio are renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such Mortgages will be subject to negotiations between the mortgagors, the mortgagee and the Network at the time of renewal.

Composition of the Mortgage Portfolio

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

Failure to Meet Commitments

The Fund may commit to making future Mortgage investments and other Authorized Investments in anticipation of repayment of principal outstanding under existing Mortgage investments and other Authorized Investments. In the event that such repayments of principal are not made in contravention of the borrowers' obligations, the Fund may be unable to advance some

or all of the funds required to be advanced pursuant to the terms of its commitments and may face liability in connection with its failure to make such advances.

Competition

The Fund will be competing for Mortgage loans with individuals, corporations and institutions (both Canadian and foreign) which are seeking or may seek Mortgage loan investments similar to those desired by the Fund. Many of these investors will have greater financial resources than those of the Fund, or operate without the investment or operating restrictions of the Fund or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in Mortgage investments may increase competition for Real Property investments, thereby increasing purchase prices and reducing the yield on investments. While Fund Manager 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 investments and thus may reduce the number of suitable investment opportunities for the Fund.

Environmental and Other Regulatory Matters

Although the Fund Manager generally obtains an evaluation of the property to be subject to the Mortgage in the form of a Phase I Environmental Audit, environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, the Fund 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 Fund follows the environmental program of the Network, which includes unwritten policies and procedures to review and monitor environmental matters associated with its properties. The Fund Manager's environmental policy usually includes a Phase I Environmental Audit when warranted, conducted by an independent and experienced environmental consultant, before advancing a loan or acquiring a Mortgage.

Buying units late in the year

The Class NAV per Unit may include income and/or capital gains that the Fund has earned or realized but not yet distributed. The distributions of a Fund's income and capital gains will be taxable even if that income and capital gains is attributable to a time before you acquired the Units. This could be particularly significant if you purchase Units late in the year.

Knowledge and Expertise of the Fund Manager

The Fund will be dependent on the knowledge and expertise of the registered principal or principals of the Fund Manager for investment advisory and portfolio management services under the Declaration of Trust. There is no certainty that the persons who are currently officers of the Fund Manager will continue to be officers of the Fund Manager for an indefinite period of time. See "YTM Policies".

Conflicts of Interest

The Fund's Network has sole discretion in determining which Mortgages and investments it will make available to the Fund for investment and will, at the same time and on an on-going basis, be sourcing investment opportunities for its own account or the account of others. The Network, in exercising its discretion, will use its best judgment and act in such manner as it sees fit, having regard to the relative sizes, investment objectives, portfolio composition and financial capabilities of all of the entities involved, including, specifically the Fund.

Valuation of the Fund and the Mortgage Portfolio

Valuation of the Mortgage Portfolio and other assets may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the net asset value of the Fund could be adversely affected. Independent pricing information may not at times be available regarding certain of the Fund's assets. Valuation determinations will be made in good faith in accordance with the Declaration of Trust.

Investment Risk Classification

The Fund Manager has identified the investment risk level of the Fund as an additional guide to help prospective investors and their professional advisors decide whether the Fund is suitable. The Fund Manager's determination of the investment risk rating for the Fund is guided by the methodology recommended by the Fund Risk Classification Task Force of The Investment Funds Institute of Canada (the "**Task Force**"). The Task Force concluded that the most comprehensive, easily understood form of risk is the historical volatility of a fund as measured by the standard deviation of its performance. The use of standard deviation as a measurement tool allows for a reliable and consistent quantitative comparison of a fund's relative volatility and related risk. Standard deviation is widely used to measure volatility of return. A fund's risk is measured using rolling one, three and five year standard deviation and comparing these values against other funds and an industry standard framework. The standard deviation represents, generally, the level of volatility in returns that a fund has historically experienced over the set measurement periods.

The Task Force has matched ranges of 3 and 5 year rolling standard deviation to risk categories published by the Canadian Securities Administrators ("**CSA**"), as set out below. The Fund's 3 year and 5 year standard deviations would place it in the "Low" category, along with Canadian short-term fixed income funds and Canadian fixed income funds. As a result of the Fund Manager's assessment of the qualitative risks associated with the Fund, it rates the risk of the Fund to be "Low to Medium", a category that includes High Yield Fixed Income.

Standard Deviation	CSA Fund Facts Investment Risk Scale
0 - 6.0	Low
6.0 - 11.0	Low to Medium
11.0 - 16.0	Medium
16.0 - 20.0	Medium to High
20.0 +	High

Investors should be aware, however, that other types of risk, both measurable and non-measurable, exist. Additionally, just as historical performance may not be indicative of future returns, the historical volatility described in this section may not be indicative of future volatility.

INCOME TAX CONSIDERATIONS FOR INVESTORS

General

The following is a summary of the principal Canadian federal income tax considerations applicable to an investor who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, holds Units of the Fund as capital property, deals with the Fund at arm's length and is not affiliated with the Fund. Generally, Units will be capital property unless the investor is considered to be trading or dealing in securities or has acquired the Units in a transaction considered to be an adventure in the nature of trade.

This summary is based on the current provisions of the Tax Act, the regulations thereunder, the Tax Proposals and the current published administrative policies and assessing practices of the Canada Revenue Agency.

No assurance can be given that the Tax Proposals will be enacted or otherwise implemented in their current form, if at all. If the Tax Proposals are not enacted or otherwise implemented as presently proposed, the Canadian federal income tax consequences may not be as described below in all cases. Modification or amendment of the Tax Act or the regulations thereunder or of the Tax Proposals could significantly alter the tax status of the Fund or the tax consequences of investing in Units. This summary does not consider the laws of any Province or Territory of Canada or any foreign jurisdiction and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Accordingly, investors are advised to consult their own tax advisors about their particular tax situations.

Status of the Fund

The Fund currently qualifies as a “mutual fund trust” as such term is defined in the Tax Act and is a “qualified investment” as defined in the Tax Act. This summary assumes that the Fund is and will continue to be at all material times a “mutual fund trust”. If the Fund were not to qualify as a “mutual fund trust” the income tax considerations as described below would, in some respects, be materially different.

Taxation of the Fund

The Fund will not be liable under Part I of the Tax Act in respect of its income and net realized capital gains for a taxation year to the extent that it distributes such income and net realized capital gains to its Unitholders. Under the Declaration of Trust, the Fund is required to distribute a sufficient amount of its net income for tax purposes, including net realized capital gains of the Fund, to Unitholders of the Fund in respect of each taxation year to the extent necessary to reduce its income tax liability under Part I of the Tax Act to nil. If the aggregate amount of all Distributions in respect of the year exceeds the net income and net realized capital gains of the Fund, the excess will be considered to have been paid out of the capital of the Fund.

Based on the foregoing, (i) the Fund will not pay income tax under the Tax Act on its net income and net realized capital gains; (ii) net taxable capital gains and dividends from taxable Canadian corporations (including “eligible dividends”) paid or payable to Unitholders will generally be taxable as if such income had been received by them directly, and (iii) other net income paid or payable to Unitholders will be included in their income as income from a trust.

If allowable capital losses of the Fund exceed taxable capital gains in any taxation year, the excess may not be allocated to Unitholders but may be deducted by the Fund from taxable capital gains in future taxation years. If the Fund has a non-capital loss in any taxation year, the loss may not be allocated to Unitholders but may be deducted by the Fund from income and taxable capital gains in up to twenty future taxation years. In certain circumstances, a capital loss realized by the Fund may be suspended under the “suspended loss” rules in the Tax Act and may not be available to reduce the amount of net realized capital gains of the Fund payable to Unitholders.

Taxation of Unitholders

A Unitholder generally will be required to include in computing income for a taxation year the amount of the Fund’s net income for the taxation year, including net taxable capital gains that is paid or payable to a Unitholder in the taxation year.

Provided that appropriate designations are made by the Fund, such portion of the net taxable capital gains of the Fund paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

The non-taxable portion of the Fund’s net realized capital gains that is paid or payable to a Unitholder will not be included in the Unitholder’s income and will not reduce the adjusted cost base of the Unitholder’s Units. Any other amounts distributed to Unitholders that exceed the net income and net capital gains of the Fund for tax purposes for that year will generally be treated as a return of capital and will not be included in the income of the Unitholders, but rather will reduce the adjusted cost base of the Units held by the Unitholder. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder in the year, and the adjusted cost base of such Unit will be increased by the amount of such deemed capital gain.

To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder and the Unitholder’s adjusted cost base will be increased by the amount of such deemed gain.

Redeeming Units

Upon a redemption or other disposition of Units not held in a Exempt Plan, a capital gain (or a capital loss) will generally be realized by the Unitholder to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base to the Unitholder of the Units and any costs of disposition. If Units are held in an Exempt Plan, no tax will be payable on capital gains realized on the redemption, provided the proceeds remain in the Exempt Plan.

Adjusted Cost Base of Units

In general, the adjusted cost base of a Unit at a particular time is determined by dividing the total of (i) the amount the Unitholder paid for the Units; plus (ii) any reinvested Distributions; minus (iii) any Distributions that were a return of capital; and minus (iv) the adjusted cost base of redeemed Units, by the number of Units of the Fund owned by the Unitholder at the particular time. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed gain.

Taxation of Capital Gains/Losses

One-half of any capital gain will be a taxable capital gain which is included in computing income. One-half of any capital loss will be an allowable capital loss which may normally be deducted against taxable capital gains realized in that year. To the extent a Unitholder has any allowable capital losses which cannot be deducted from taxable capital gains realized in the year, the excess constitutes a net capital loss which may generally be deducted in computing taxable income for the three preceding or all future years from taxable capital gains in those years to the extent and in the circumstances prescribed in the Tax Act.

Taxation of Exempt Plans

So long as the Fund is a "mutual fund trust" for purposes of the Tax Act, Units are qualified investments for Exempt Plans.

However, if the Units are "prohibited investments" for a TFSA, RRSP or a RRIF, the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. Units will generally not be a "prohibited investment" for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Fund for purposes of the Tax Act, (ii) has a "significant interest" as defined in the Tax Act in the Fund, or (iii) has a "significant interest" as defined in the Tax Act in a corporation, partnership or trust with which the Fund does not deal at arm's length for purposes of the Tax Act. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm's length. Proposed amendments to the Tax Act released on December 21, 2012 (the "December 2012 Proposals") propose to delete the condition in (iii) above. In addition, pursuant to the December 2012 Proposals, the Units will generally not be a "prohibited investment" if the Units are "excluded property" as defined in the December 2012 Proposals for trusts governed by a TFSA, RRSP or RRIF.

Investors are responsible for determining the income tax consequences to them of acquiring Units through an Exempt Plan and neither the Fund nor the Fund Manager assumes any liability to such persons as a result of making the Units of the Fund available for investment. If an investor chooses to purchase Units of the Fund through an Exempt Plan, the investor should consult his or her own professional advisor regarding the tax treatment of contributions to, withdrawals from and acquisitions of property by such Exempt Plan.

RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Securities legislation in certain Provinces and Territories of Canada provides purchasers of Units under this Offering Memorandum with, in addition to any other right they may have at law, rights of action for damages or rescission, or both, where this Offering Memorandum, any amendments thereto, and, in certain cases, advertising and sales literature used in connection with the offering of the Units, contains a misrepresentation.

For the purposes of this section, "**misrepresentation**" means (a) an untrue statement of a fact that significantly affects, or would reasonably be expected to have a significant effect, on the market price or the value of the securities (a "**material fact**"); or (b) 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 was made.

In some Provinces and Territories of Canada, a purchaser has a statutory right of action which is described below. In certain Provinces, no statutory rights exist but a contractual right of action is offered where the Fund is required to do so by securities legislation or where the Fund has determined to do so on a voluntary basis. Any statutory rights of action for damages or

rescission described below are in addition to, and without derogation from, any other right or remedy available at law to the purchaser and are subject to the defences contained in those laws. These rights must be exercised by the purchaser within the time limits set out below. **Purchasers should refer to the applicable provisions of the securities legislation of their Province or Territory for the particulars of these rights or consult with a legal advisor.**

Statutory Rights

Manitoba

When an Offering Memorandum, or any amendments thereto, contains a misrepresentation, a purchaser resident in Manitoba who purchases a security offered by the Offering Memorandum is deemed to have relied on the representation if it was a misrepresentation at the time of purchase, and the purchaser has (a) a right of action for damages against the Fund, every director of the Fund at the date of the Offering Memorandum, and every person or company who signed the Offering Memorandum; and (b) a right of rescission against the Fund. Notwithstanding the foregoing, if the purchaser chooses to exercise a right of rescission against the Fund, the purchaser has no right of action for damages against a person or company referred to above.

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.

When a misrepresentation is contained in an Offering Memorandum, no person or company is liable

- (a) if the person or company proves that the purchaser had knowledge of the misrepresentation;
- (b) other than with respect to the Fund, if the person or company proves
 - (i) that the Offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and
 - (ii) that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the Fund that it was sent without the person's or company's knowledge and consent;
- (c) other than with respect to the Fund, if the person or company proves that, after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it;
- (d) other than with respect to the Fund, 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, an expert's report, opinion or statement, 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 expert's report, opinion or statement, or
 - (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- (e) other than with respect to the Fund, with respect to any part of the Offering Memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company
 - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or

- (ii) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the securities were offered under the Offering Memorandum. In 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 security as a result of the misrepresentation.

All or any one or more of the persons or companies that are found to be liable or accept liability in an action for damages 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 circumstances of the case, the court is satisfied that it would not be just and equitable.

When *The Securities Act* (Manitoba) or a regulation under the Act requires a dealer, an offeror or the Fund to send the Offering Memorandum to purchasers of a security, a purchaser has an additional right of rescission or a right of action for damages against a dealer, an offeror or the Fund who fails to send the Offering Memorandum within the prescribed time.

A purchaser of a security to whom an Offering Memorandum is required to be sent may rescind the contract to purchase the security by sending a written notice of rescission to the Fund not later than midnight on the second day, excluding Saturdays and holidays, after the purchaser signs the agreement to purchase the securities. The amount the purchaser is entitled to recover when exercising the right to rescind for failure to send the Offering Memorandum as and when required shall not exceed the net asset value of the securities purchased, at the time the right to rescind is exercised.

No action may be commenced to enforce a right

- (a) in the case of an action for rescission, more than 180 days after the day of the transaction that gave rise to the cause of action; or
- (b) in any other case, more than the earlier of
 - (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
 - (ii) two years after the day of the transaction that gave rise to the cause of action.

New Brunswick

In the event that any information relating to the offering which has been provided to purchasers of the Units contains a misrepresentation, a purchaser of Units resident in New Brunswick shall be deemed to have relied upon the misrepresentation if it was a misrepresentation at the time of purchase and will have a statutory right of action against the Fund on whose behalf the distribution is made for damages or, alternatively, for rescission, provided that 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,
 - (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, and
 - (ii) six years after the date of the transaction that gave rise to the cause of action.

In addition, securities legislation in New Brunswick provides a number of limitations and defences, including:

- (a) the Fund on whose behalf the distribution is made will not be liable if it proves that the purchaser purchased the Units with knowledge of the misrepresentation;

(b) in any action for damages, the Fund on whose behalf the distribution is made will not be liable for all or any portion of those damages that it 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 purchaser.

Nova Scotia

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

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

- (a) the Fund shall not be held liable pursuant to such right of action if the Fund proves the purchaser purchased the Units with knowledge of the misrepresentation;
- (b) in an action for damages, the Fund is not liable for all or any portion of such damages that it proves do not represent the depreciation in value of the Units acquired by the purchaser as a result of the misrepresentation relied upon; and
- (c) in no case shall the amount recoverable pursuant to such right of action exceed the price at which the Units were offered to the investor.

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

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

Ontario

If this Offering Memorandum, or any amendments thereto, contains a misrepresentation, a purchaser resident in Ontario who purchases the Units offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action for damages against the Fund or may elect to exercise a right of rescission against the Fund (in which case, the purchaser will have no right of action for damages against the Fund), provided that 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,

- (i) 180 days after the plaintiff 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.

Securities legislation in Ontario provides a number of limitations and defences, including:

- (a) the Fund will not be liable for a misrepresentation in forward-looking information (as defined in the Securities Act (Ontario)), if the Fund proves that:
 - (i) 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,
 - (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and
 - (iii) the Fund had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
- (b) the Fund will not be liable if it proves that the purchaser purchased the Units with knowledge of the misrepresentation;
- (c) in an action for damages, the Fund will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon; and
- (d) in no case will the amount recoverable exceed the price at which the Units were offered to the purchaser.

Prince Edward Island

In the event that this Offering Memorandum, or any amendments thereto, contains a misrepresentation, a purchaser who purchased a security during the period of distribution, without regard to whether the purchaser relied upon such misrepresentation, has a statutory right of action for damages against the Fund, any selling security holder on whose behalf a distribution is made, every director of the Fund at the date of the Offering Memorandum, and every person who signed the Offering Memorandum. Alternatively, the purchaser while still the owner of the securities may elect to exercise a statutory right of action for rescission against the Fund (or any selling security holder on whose behalf a distribution may be made).

A misrepresentation in Prince Edward Island (“**PEI**”) includes an omission to state a material fact that is required to be stated by the PEI Securities Act. The statutory rights of action for rescission or damages by a purchaser are subject to the following limitations:

- (a) no action shall be commenced to enforce the right of action for rescission by a purchaser resident in PEI, 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 purchaser first had knowledge of the facts given rise to the cause of action; or
 - (ii) three years after the date of the transaction given rise to the cause of action or whichever period expires first;
- (c) no person shall be liable if the person proves that the purchaser purchased the security with knowledge of the misrepresentation; and

- (i) no person shall be liable if the person proves that the Offering Memorandum was sent to the purchaser 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 Fund 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 Fund 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
 - (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.

If the purchaser elects to exercise a right of action for rescission, the purchaser shall have no right of action for damages. In no case shall the amount recoverable in any action exceed the price at which the securities were offered to the purchaser. In an action for damages, the defendant shall not be liable for any damages that the defendant proves do not represent the depreciation in value of securities as a result of the misrepresentation.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law. This summary is subject to the express conditions of the PEI Securities Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Newfoundland and Labrador

If this Offering Memorandum, together with any amendment to this Offering Memorandum or any record incorporated by reference in, or considered to be incorporated into this Offering Memorandum contains a misrepresentation and it was a misrepresentation at the time of purchase, a purchaser in Newfoundland and Labrador has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the Fund, and every person performing a function or occupying a position with respect to the Fund which is similar to that of a director of a company at the date of this Offering Memorandum, or, alternatively, while still the owner of the purchased Units, for rescission against the Fund (in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages), provided that:

- (a) no person will be liable if the person or company proves that the purchaser purchased the Units with knowledge of the misrepresentation;
- (b) no person (other than the Fund) will be liable:
 - (i) if the person proves that this Offering Memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of its being sent, the person promptly gave reasonable notice to the Fund that it was sent without the knowledge and consent of the person;

- (ii) if the person proves that the person, on becoming aware of any misrepresentation in this Offering Memorandum, withdrew the person's consent to this Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it; or
 - (iii) with respect to any part of this Offering Memorandum 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 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;
- (c) in an action for damages, the Fund will not be liable for all or any part of the damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the Units were offered to the purchaser under this Offering Memorandum;
- (e) a person is not liable in an action for a misrepresentation in forward-looking information if the person proves all of the following:
- (i) this Offering Memorandum contains, proximate to that information: (1) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information; and (2) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
 - (ii) the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information; and
- (f) no action shall be started to enforce the foregoing rights:
- (i) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
 - (ii) in the case of any action, other than an action for rescission, the earlier of: (A) 180 days after the purchaser first had knowledge of the misrepresentation; or (B) three years after the date of the purchase of the Units.

Saskatchewan

If the Offering Memorandum, or any amendments thereto, or advertising or sales literature used in connection therewith delivered to a purchaser resident in Saskatchewan contains a misrepresentation, a purchaser has, without regard to whether the purchaser relied on that misrepresentation, a right of action for damages against the Fund, the promoters and "directors" (as defined in *The Securities Act, 1988* (Saskatchewan)), every person or company whose consent has been filed with this Offering Memorandum, or any amendments thereto, but only with respect to reports, opinions or statements that have been made by them, every person who signed this Offering Memorandum, or any amendments thereto, and every person who or company that sells the Units on behalf of the Fund under this Offering Memorandum, or any amendments thereto. Alternatively, a purchaser may elect to exercise a right of rescission against the Fund.

In addition, where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the Units and the verbal statement is made either before or contemporaneously with the purchase of the Units, the purchaser has a right of action for damages against the individual who made the verbal statement.

No person or company is liable, nor does a right of rescission exist, where the person or company proves that the purchaser purchased the Units with knowledge of the misrepresentation. In an action for damages, no person or company will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied on.

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

A purchaser of Units resident in Saskatchewan has the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the Units if the Units are purchased from a vendor who is trading in Saskatchewan in contravention of *The Securities Act, 1988* (Saskatchewan), the regulations to that Act or a decision of the Saskatchewan Financial Services Commission.

The Securities Act, 1988 (Saskatchewan) also provides a right of action for rescission or damages to a purchaser of Units to whom the Offering Memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the Units, as required by Section 80.1 of *The Securities Act, 1988* (Saskatchewan).

The Fund shall amend the Offering Memorandum if the distribution of the Units has not been completed and (i) there is a material change in the affairs of the Fund, (ii) it is proposed that the terms or conditions of the offering described in the Offering Memorandum be altered, or (iii) Units are to be distributed in addition to the Units previously described in the Offering Memorandum. A purchaser that receives an amended Offering Memorandum has the right to withdraw from the agreement to purchase the Units by delivering a notice to the person who or company that is selling the Units, indicating the purchaser's intention not to be bound by the purchase agreement. A purchaser must deliver the notice of withdrawal within two (2) Business Days after receiving the amended Offering Memorandum.

Québec

Under legislation adopted but not yet in force in Québec, if this Offering Memorandum, together with any amendment to this Offering Memorandum, delivered to a purchaser of Units resident in Québec contains a Misrepresentation, the purchaser will have (i) a right of action for damages against the Fund, every person acting in a capacity with respect to the Fund which is similar to that of a director or officer of a company and the dealer (if any) under contract to the Fund, or (ii) a right of action against the Fund for rescission of the purchase contract or revision of the price at which Units were sold to the purchaser.

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

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

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

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

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

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

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

Northwest Territories, Nunavut and Yukon

If this Offering Memorandum, or any amendments thereto, delivered to a purchaser of Units resident in the Northwest Territories, Nunavut or the Yukon contains a misrepresentation, a purchaser in such jurisdictions who purchases the Units during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action for damages against (i) the Fund, (ii) the selling security holder on whose behalf the distribution was made, (iii) every director of the Fund at the date of the Offering Memorandum, and (iv) every person who signed the Offering Memorandum. Alternatively, the purchaser may elect to exercise a statutory right of action for rescission against the Fund or the selling security holder on whose behalf the distribution was made, in which case, the purchaser shall have no right of action for damages against the Fund, 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 Fund, and every director of the Fund at the date of the Offering Memorandum who is not a selling security holder, will not be liable if the Fund does not receive any proceeds from the distribution of the Units and the misrepresentation was not based on information provided by the Fund, unless the misrepresentation was

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

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

- (a) if the person proves that the purchaser 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 purchaser.

A person, other than the Fund 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 purchaser without the person's knowledge or consent and that, on becoming aware of its being sent, the person promptly gave reasonable notice to the Fund 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 Fund 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 Fund 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 Fund 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,
 - (i) 180 days after the plaintiff 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.

Other Rescission Rights

In certain Provinces, a purchaser of a security of a mutual fund 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 purchaser as described below, the amount a purchaser is entitled to recover on exercise of this right to rescind shall not exceed the net asset value of the securities 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 purchaser who has exercised this right of rescission for the amount of sales charges and fees relevant to the investment of the purchaser in the mutual fund in respect of the securities for which the written notice of the exercise of the right of rescission was given.

Purchasers must exercise these rights within the prescribed time limits under applicable securities legislation. Purchasers 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

British Columbia, Alberta, and Québec

If this Offering Memorandum, or any amendment thereto, contains a misrepresentation, a purchaser resident in British Columbia, or, until the legislation described above is enacted, Québec, or a purchaser resident in Alberta who is purchasing pursuant to the “accredited investor” exemption who purchased Units under this Offering Memorandum does not have any statutory rights under applicable securities legislation nor does securities legislation require the Fund to contractually provide any rights of action for damages or rescission. The Fund is voluntarily providing purchasers in these Provinces with rights of action for damages or, alternatively, for rescission similar to those provided to purchasers of Units under the *Securities Act* (Ontario).

MATERIAL AGREEMENTS

Other than contracts entered into in the ordinary course of business, the only material agreement relating to the Fund is the Declaration of Trust entered into by the Fund.