

OFFERING MEMORANDUM

No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. The information disclosed on this page is a summary only. Purchasers should read the entire Offering Memorandum for full details about the Offering. This is a risky investment. See Item 8 - "Risk Factors".

January 27, 2016

PRESTIGE HOSPITALITY OPPORTUNITY FUND - I

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\$47,218,110 (Maximum Offering)

Prestige Hospitality Opportunity Fund - I (the "Trust") is not a reporting issuer in any jurisdiction and **these securities do not and will not trade on any exchange or market**. The Trust does not file any of its documents on SEDAR.

THE OFFERING

Refer to "Glossary of Terms" for the meanings of capitalized words and phrases that are used but not defined in this summary.

| | |
|--|---|
| <i>The Trust:</i> | The Trust is a private open-ended trust established under the laws of Alberta. |
| <i>Purpose:</i> | The Trust's primary purpose and sole business is to use funds raised by it to acquire Class B, Class C, Class D, Class E, Class F and Class G LP Units in the Partnership and if Hotels are acquired in the United States by the Partnership, to loan a portion of the funds raised under this Offering to the Holding LP, with the objective of generating returns to Unitholders. See Item 1.2 - "Use of Available Funds" and Item 2.2 - "Business of the Trust". |
| <i>Securities Offered:</i> | Class B, Class C, Class D, Class E, Class F and Class G units of the Trust (collectively referred to herein as the "Units"). |
| <i>Price per Security:</i> | \$0.95 per Unit until March 16, 2016, after which the price per Unit will increase to \$1, subject to the following: the Trustees, in their sole Discretion, may at any time without notice increase the price per Unit under this Offering. |
| <i>Minimum Offering:</i> | The Offering is not subject to any minimum offering amount and as such you may be the only purchaser. Funds available under this Offering may not be sufficient to accomplish our proposed objectives. |
| <i>Maximum Offering:</i> | The Maximum Offering under the Previous Offering of the Trust was \$50,000,000 of which \$2,781,890 was raised. The maximum offering under this Offering is \$47,218,110 (47,281,268 Units, assuming the first \$5,000,000 in Units under this Offering are sold for \$.95/Unit). |
| <i>Minimum Subscription Amount:</i> | <p>The minimum subscription for Units until March 31, 2016 is \$9,994 with respect to Class B and E Units (10,520 Units), \$75,000 (rounded) with respect to Class C and F Units (78,948 Units) and \$150,000 with respect to Class D and G Units (157,895 Units).</p> <p>The minimum subscription for Units as of April 1, 2016 is \$10,000 with respect to Class B and E Units (10,000 Units), \$75,000 with respect to Class C and F Units (75,000 Units) and \$150,000 with respect to Class D and G Units (150,000 Units).</p> <p>Notwithstanding the above the Trustees may, in their sole Discretion, reduce the minimum investment amount per Subscriber in limited circumstances in order to allow the Trust to satisfy the minimum investor requirements of a "mutual fund trust" under the Tax Act. See Item 5.2 - "Subscription Procedure".</p> |

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| <i>Proposed Closing Date(s):</i> | Closings may occur from time to time and at any time on such other dates as AdminCo determines. If certain conditions have not been satisfied or waived on or before the date selected by AdminCo (in its Discretion), in respect of a closing, Subscription Agreements and subscription funds will be returned to Subscribers without interest or deduction. |
| <i>Eligibility of Deferred Plans:</i> | The Units are intended to be able to be held by taxable and tax exempt investors, such as trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and tax-free savings accounts. There are important tax consequences to investors holding Units. See Item 6 - "Income Tax Considerations". <u>The Trust has not yet met the minimum threshold requirements to qualify as Mutual Fund Trust under the Tax Act.</u> If the Trust does not satisfy these requirements on or before March 29, 2016, the Trust will not qualify as Mutual Fund Trust. If the Trust fails to qualify as a Mutual Fund Trust there maybe adverse consequences to investors that hold Units in Deferred Plans. See Item 6.5 - "Qualified Investments for Deferred Plans" and Item 8 - "Maintaining "Mutual Fund Trust" Status Requires Meeting Ongoing Requirements". |
| <i>Selling Agent:</i> | The Trust reserves the right to retain agents to, and/or pay persons who, effect sales of the Units, in which case, subject to applicable securities legislation, such agents and persons may receive a fee of up to nine percent (9%) (inclusive of any dealer administration fee) of the Gross Proceeds realized from the sale of Units sold directly by such parties. See Item 7 - "Compensation Paid to Sellers and Finders". |
| <i>Conflicts of Interest:</i> | The actions of certain members of the Prestige Parties (as defined herein) may from time to time be in conflict with the activities of the Trust. Such conflicts are expressly permitted by the terms of the Declaration of Trust dated January 9, 2015 and amended on March 4, 2015 governing the Trust (the "Declaration of Trust"). See Item 2.5 - "Material Agreements - Summary of the Declaration of Trust - Conflicts of Interest". |
| <i>Term of the Trust:</i> | The Trust is intended to carry on until December 31, 2099. An investment in the Trust should be considered long-term in nature. |
| <i>Distributions:</i> | The Trust will distribute Trust Income and Trust Capital Gains for each taxation year, so that Trust Income and Trust Capital Gains will be taxable to Unitholders and the Trust will not have any obligation to pay tax under the Tax Act. Payment of distributions is intended to be made in cash, but the Trust may, in certain circumstances, make distributions by distributing additional Units. See Item 2.5 - "Material Agreements - Summary of the Declaration of Trust - Distributions". |
| <i>Redemptions:</i> | Unitholders may redeem their Units, subject to certain restrictions, by providing a duly executed Redemption Notice to the Trustee. See Item 2.5 - "Material Agreements - Summary of the Declaration of Trust - Redemption of Units". The Redemption Price will be determined as follows: (i) where a request for redemption by a Unitholder occurs within 12 months of the date of issue of a Unit Certificate, the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed less twelve percent (12%); (ii) if a request for redemption occurs between the 12 and 24 month anniversary of the date of issue of a Unit Certificate, the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed less seven percent (7%); and (iii) if a request for redemption occurs after the 24 month anniversary of the date of issue of a Unit Certificate, the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed. See Item 2.5 - "Material Agreements - Summary of the Declaration of Trust - Redemption of Units". |
| <i>Redemption Restrictions:</i> | The Redemption Price for Units paid by the Trust may not be paid in cash in certain circumstances but instead may be paid through the issue of Redemption Notes by the Trust. <u>Redemption Notes likely will not be a qualified investment for tax-exempt Subscribers.</u> See Item 6 - "Income Tax Considerations". Where, in the sole Discretion of AdminCo, the Trust chooses to pay the Redemption Price in cash, the maximum aggregate redemption proceeds shall not exceed \$75,000 per calendar quarter in cash; provided that, in the Trustee's Discretion, the Trust may pay in excess of \$75,000 of cash in a calendar quarter. See Item 2.5 - "Material Agreements - Summary of the Declaration of Trust - Redemption of Units". |

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| Trustees: | Naushad (Jim) Jiwani Saleem Budhwani Arif Amlani Curtis Potyondi |
| Administrator: | Prestige Hospitality Opportunity Fund - I AdminCo Inc. |
| Resale Restrictions: | You will be restricted from selling your securities for an indefinite period. See Item 10 - "Resale Restrictions and Redemption Rights". |
| Purchaser's Rights: | You have 2 business days to cancel your agreement to purchase these Units. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 - "Purchasers' Rights". |
| OM Marketing Materials: | All OM Marketing Materials related to this Offering and delivered or made reasonably available to a prospective Subscriber are hereby incorporated by reference into this Offering Memorandum. |

Funds available under the Offering may not be sufficient to accomplish our proposed objectives.

This Offering is being made to, and subscriptions will only be accepted from, persons resident in the Provinces and Territories of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Northwest Territories, Yukon and Nunavut. This Offering is being made pursuant to certain exemptions contained in National Instrument 45-106 – Prospectus Exemptions ("NI 45-106").

This Offering Memorandum constitutes an offering of securities only in those jurisdictions and to those persons to whom they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities in any jurisdiction.

No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK FOR FORMATTING PURPOSES

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ELIGIBILITY FOR INVESTMENT

The Units will be a qualified investment under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, or a tax-free savings account (each, a “Deferred Plan”) provided that the Trust meets certain requirements as outlined in Item 6 – Income Tax Considerations. Notwithstanding the foregoing, if the Units are found to be “prohibited investments”, some holders will be subject to a penalty tax as set out in the Tax Act. If the Trust ceases to qualify as a mutual fund trust, the Units will cease to be qualified investments for Deferred Plans which would have adverse tax consequences to Deferred Plans and their annuitants or beneficiaries. See Item 6 – “Income Tax Considerations” and Item 8 – “Risk Factors”.

INVESTMENT NOT LIQUID

The Units offered hereunder will be subject to indefinite resale restrictions and a number of redemption restrictions. Until the indefinite restriction on trading expires, if ever, a Unitholder will not be able to trade the Units, unless it complies with very limited exemptions from the prospectus and registration requirements under applicable securities legislation. As the Trust has no intention of becoming a reporting issuer in any jurisdiction in Canada, these trading restrictions will not expire. Consequently, Unitholders may not be able to liquidate their Units in a timely manner, if at all, or pledge their Units as collateral for loans. Further, the Declaration of Trust contains certain redemption restrictions. Subject to certain restrictions, a Unitholder may redeem the Units for the Redemption Price. See Item 10 – “Resale Restrictions and Redemption Rights”.

FORWARD-LOOKING STATEMENTS

Certain information regarding the Trust and the Partnership set forth in this Offering Memorandum, including the Trust’s future plans and business, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words “anticipate”, “believe”, “continue”, “estimate”, “expect”, “intend”, “plan”, “potential”, “predict”, “project”, “seek” or other similar words, or statements that certain events or conditions “may”, “might”, “could”, “should” or “will” occur are intended to identify forward-looking statements. Such statements represent AdminCo’s internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, business opportunities, future expenditures, plans for and results of business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the expectations reflected in the forward-looking statements are reasonable, future results, levels of activity, performance or achievement cannot be guaranteed since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Trust and the Partnership’s actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Trust and the Partnership.

Forward-looking statements included in this Offering Memorandum include, but are not limited to, statements with respect to: use of proceeds of the Offering; the business to be conducted by the Trust and the Partnership; the ability to make and the timing and payment of distributions; payment of fees to the Trustee; the Trust’s and the Partnership’s business objectives; treatment under governmental regulatory regimes and tax laws; financial and business prospects and financial outlook; timing of dissolution of the Trust; possibility of extension of the dissolution date of the Trust; results of operations, the timing thereof and the methods of funding.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to the risks discussed under Item 8 - “Risk Factors” and other factors, many of which are beyond the control of the Trust and AdminCo. Readers are cautioned that the foregoing list of factors is not exhaustive.

The forward-looking statements contained in this Offering Memorandum are based on a number of assumptions, including those relating to:

- the Trust and Partnership’s business strategy and operations;
- the ability of the Trust and Partnership to achieve or continue to achieve its business objectives;
- the Trust’s and Partnership’s expected financial performance, condition and ability to generate distributions;
- the Partnership, including its business strategy, operations, financial performance, condition and ability to generate distributions;

- factors and outcomes associated with the hospitality industry in North America, including competition and competitive conditions;
- concentration of investments of the Trust in a single business (being the Class B - G LP Units of the Partnership) operating in a single industry (being the North American hospitality industry) which result in the Trust's investments being less diversified than other investment funds;
- possibility of substantial redemptions of Units;
- taxation of the Trust and Partnership;
- the impact on the Trust and the Partnership of future changes in applicable legislation;
- application of legislation and regulations applicable to the Trust and the Partnership; and
- availability of and dependence upon certain key employees of the General Partner.

Although the forward-looking statements contained in this Offering Memorandum are based upon assumptions believed to be reasonable, the Trust cannot assure investors that actual results will be consistent with these forward-looking statements.

The Trust has included the above summary of risks related to forward-looking information provided in this Offering Memorandum in order to provide Unitholders with a more complete perspective on the Trust and the Partnership's current and future operations and such information may not be appropriate for other purposes. The Trust's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Trust will derive therefrom. These forward-looking statements are made as of the date of this Offering Memorandum and the Trust disclaims any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Investors are cautioned against placing undue reliance on forward-looking statements.

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GLOSSARY OF TERMS

The following terms and abbreviations used throughout this Offering Memorandum have the following meanings:

“**ABCA**” means the *Business Corporations Act* (Alberta), as amended from time to time;

“**Acquisition Financing**” means mortgage financing obtained by the Trust to fund a portion of a the purchase price of a Hotel Property;

“**Acquisition GP’s**” means the general partners of limited partnerships formed by the Partnership to acquire Hotel Properties and “**Acquisition GP**” means any one such general partner;

“**Acquisition LP’s**” means the limited partnerships formed by the Partnership to acquire Hotel Properties and “**Acquisition LP**” means any one such limited partnership;

“**AdminCo**” means Prestige Hospitality Opportunity Fund - I AdminCo Inc., as administrator of the Trust under the Administration Agreement, or such other person properly appointed as administrator of the Trust pursuant to the Declaration of Trust;

“**Administration Agreement**” means the agreement, dated January 12, 2015, and amended and restated on March 4, 2015 between AdminCo and the Trust;

“**Administration Fee**” means the sum of \$500 a year to be paid by the Trust to AdminCo during the term of the Administration Agreement;

“**Affiliate**” shall have the meaning ascribed thereto in the Securities Act;

“**Applicable Laws**” means all applicable provisions of law, domestic or foreign, including the Securities Act;

“**Approvals**” means any directive, order, consent, exemption, waiver, consent order or consent decree of or from, or notice to, action by or filing with, any Governmental Authority;

“**associate**” shall have the meaning ascribed thereto in the Securities Act;

“**Auditors**” means such firm of chartered accountants as may be appointed as auditor or auditors of the Trust;

“**Business Day**” means a day which is not a Saturday, Sunday or statutory holiday in the City of Calgary, in the Province of Alberta;

“**Capital Contribution**”, with respect to any Limited Partner, means the amount of capital contributed by such Limited Partner to the Partnership in accordance with the Partnership Agreement;

“**Cash Flow of the Trust**” shall have the meaning provided for in Item 2.5 – “Material Agreements - Summary of the Declaration of Trust - Cash Flow of the Trust”;

“**Class A LP Units**” means the Class A limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“**Class B LP Units**” means the Class B limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“**Class C LP Units**” means the Class C limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“**Class D LP Units**” means the Class D limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“**Class E LP Units**” means the Class E limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“**Class F LP Units**” means the Class F limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“Class G LP Units” means the Class G limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“Class H LP Units” means the Class H limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“Class I LP Units” means the Class I limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“Class J LP Units” means the Class J limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“Class K LP Units” means the Class K limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“Class L LP Units” means the Class L limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“Class M LP Units” means the Class M limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“Class N LP Units” means the Class N limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“Class O LP Units” means the Class O limited partnership units in the Partnership issued from time to time in accordance with the Partnership Agreement and having the rights, privileges, restrictions and conditions set out in the Partnership Agreement;

“Class B-G LP Units” means collectively the Class B, Class C, Class D, Class E, Class F and Class G limited partnership units of the Partnership;

“Class B-O LP Units” means collectively the Class B, Class C, Class D, Class E, Class F, Class G, Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O limited partnership units of the Partnership;

“Class H-O LP Units” means collectively the Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O limited partnership units of the Partnership;

“Class A Proportionate Share” of any amount at any time, means a fraction equal to the number of Class A LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class A LP Units at that time;

“Class B Proportionate Share” of any amount at any time, means a fraction equal to the number of Class B LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class B LP Units at that time;

“Class C Proportionate Share” of any amount at any time, means a fraction equal to the number of Class C LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class C LP Units at that time;

“Class D Proportionate Share” of any amount at any time, means a fraction equal to the number of Class D LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class D LP Units at that time;

“Class E Proportionate Share” of any amount at any time, means a fraction equal to the number of Class E LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class E LP Units at that time;

“Class F Proportionate Share” of any amount at any time, means a fraction equal to the number of Class F LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class F LP Units at that time;

“Class G Proportionate Share” of any amount at any time, means a fraction equal to the number of Class G LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class G LP Units at that time;

“Class H Proportionate Share” of any amount at any time, means a fraction equal to the number of Class H LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class H LP Units at that time;

“Class I Proportionate Share” of any amount at any time, means a fraction equal to the number of Class I LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class I LP Units at that time;

“Class J Proportionate Share” of any amount at any time, means a fraction equal to the number of Class J LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class J LP Units at that time;

“Class K Proportionate Share” of any amount at any time, means a fraction equal to the number of Class K LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class K LP Units at that time;

“Class L Proportionate Share” of any amount at any time, means a fraction equal to the number of Class L LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class L LP Units at that time;

“Class M Proportionate Share” of any amount at any time, means a fraction equal to the number of Class M LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class M LP Units at that time;

“Class N Proportionate Share” of any amount at any time, means a fraction equal to the number of Class N LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class N LP Units at that time;

“Class O Proportionate Share” of any amount at any time, means a fraction equal to the number of Class O LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class O LP Units at that time;

“Counsel” means a law firm (who may be counsel to AdminCo) acceptable to the Trustee;

“CRA” means the Canada Revenue Agency;

“Declaration of Trust” means the Declaration of Trust dated January 9, 2015 and amended on March 4, 2015, governing the business and affairs of the Trust as may be further amended, supplemented and restated from time to time;

“Deferred Plan” means a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan or tax-free savings account;

“Discretion” means sole, absolute and unfettered discretion;

“Distributable Cash” means with respect to a particular period, the amount by which the Partnership’s cash on hand or to be received in respect of that period (excluding any proceeds from any Financing) exceeds:

- (i) unpaid administration expenses of the Partnership;
- (ii) any amounts due and owing with respect to payment of the Hospitality Management Fee and the Mezzanine Financing Fee;
- (iii) amounts required for the business and operations of the Partnership, including operating expenses and capital expenditures;
- (iv) amounts required in order to meet all debts, liabilities and obligations in respect of any Financing, including reserves to ensure compliance with agreements to which the Partnership is subject; and
- (v) any amounts which the General Partner in its Discretion determines is necessary to satisfy the Partnership’s current and anticipated debts, liabilities and obligations and to comply with applicable laws; and **“Proportionate Share of Distributable Cash”** of the Class A, Class B, Class C, Class D, Class E, Class F and Class G Units is the sum determined by multiplying the aggregate amount of Distributable Cash which the General Partner wishes to distribute by the fraction in which the numerator is the number of Units issued and outstanding in any one of the above Classes of Units on the date of the proposed distribution and the denominator is the aggregate number of all issued and outstanding Units in the above Classes at that time;

“Distribution Payment Date” means the date on which AdminCo makes a distribution of Cash Flow to the Unitholders;

“Distribution Period” means each quarterly period ending on March 31, June 30, September 30 and December 31, or such other periods as may be hereafter determined from time to time by AdminCo from and including the first day thereof and to and including the last day thereof;

“Distribution Record Date” means on or about the last Business Day of each Distribution Period, or, if that day is not a Business Day, the next following Business Day, or such other date determined from time to time by the AdminCo;

“Exchangeable Security” or **“Exchangeable Securities”** means a unit or units, a share or shares or other security or securities which are convertible into or exchangeable for Unit(s) (directly or indirectly) without the payment by the holder of additional consideration therefor, whether or not issued by the Trust;

“Extraordinary Limited Partner Resolution” means:

- i. a resolution approved through the votes cast in person or by proxy at a duly constituted meeting of Limited Partners holding Class B, Class C, Class D, Class E, Class F, Class G, Class H, Class I, Class J, Class K, Class L, Class M, Class N, or Class O LP Units or at any adjournment thereof called in accordance with this Agreement and representing 80% or more of the votes attaching to the LP Units cast in person or by proxy in accordance with the terms and conditions of the Partnership Agreement; or
- ii. a written resolution in one or more counterparts signed by Limited Partners holding LP Units representing in the aggregate 80% or more of the votes attaching to the Class B, Class C, Class D, Class E, Class F, Class G, Class H, Class I, Class J, Class K, Class L, Class M, Class N, or Class O LP Units in accordance with the terms and conditions of the Partnership Agreement;

“Extraordinary Unitholder Resolution” means a resolution proposed to be passed as a special resolution at a meeting of Unitholders (including an adjourned meeting) duly convened for that purpose and held in accordance with the provisions of the Declaration of Trust and passed by more than 66⅔% of the votes cast on such resolution by Unitholders represented in person or by proxy at the meeting;

“Financing” means any credit facility granted or extended to or for the benefit of, or investment by way of debt in, the Partnership whereby or pursuant to which money, credit or other financial accommodation has been or may be provided, made available or extended to the Partnership by way of borrowed money, the purchase of debt instruments or securities, bankers acceptances, letters of credit, overdraft or other forms of credit and financial accommodation, and includes any and all trust deeds, indentures, mortgages, bonds or debentures (whether issued and delivered as security or sold to a purchaser), security agreements and other deeds, instruments or documents in respect thereof;

“Fiscal Year” means a fiscal year of the Trust (or portion thereof), which ends on December 31 in each calendar year, except in the case of a deemed year end on the dissolution of the Trust;

“Funding Agreement” means the agreement entered into between the Trust and the Partnership which provides that the Partnership will pay all costs, fees, Selling Commissions and expenses incurred by the Trust in connection with this Offering;

“GAAP” means at any time, accounting principles generally accepted in Canada, including those set out in the Handbook of the Chartered Professional Accountants of Canada;

“General Partner” means Prestige Hospitality Opportunity Fund - I GP Inc., a corporation established under the laws of the Province of Alberta, or any successor or permitted assignee thereof;

“Governmental Authority” means: (i) any nation, province, territory, state, county, city or other jurisdiction; (ii) any federal, provincial, territorial, state, local, municipal, foreign or other government; (iii) any governmental or quasi-governmental authority of any nature (including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental or quasi-governmental power); (iv) any body exercising, or entitled or purporting to exercise, any administrative, executive, judicial, legislative, regulatory or taxing authority or power; or (v) any official of the foregoing;

“Gross Proceeds” means, at any time, the aggregate gross proceeds of this Offering;

“GST” means any applicable Canadian federal or provincial goods and services tax or harmonized sales tax;

“Hardship Redemption Amount per Unit” means with respect to a Unit, the Subscription Amount of that Unit less all the aggregate of all distributions of Cash Flow of the Trust made with respect to that Unit in accordance with terms of the Declaration of Trust from the date of issue of the Unit to the date of receipt of a Hardship Redemption Notice with respect to a Unit by the Trust in accordance with Item 10.5 herein;

“Holding LP” means a United States registered limited partnership to be established that will be controlled by the Partnership as further described in Item 2.2 herein. The Holding LP will hold all of the interests of the Partnership in any Acquisition LP registered in the United States;

“Hospitality” means Prestige Hospitality Investment Corp., a private Alberta corporation. Arif Amlani, Saleem Budhwani, Naushad (Jim) Jiwani, each of which are Trustees of the Trust, are the officers and directors of Hospitality and through their holding companies are the shareholders of this corporation;

“Hospitality Management Corp.” means Prestige Hospitality Management Corp., a private Alberta corporation. The Trustees are the officers and directors of this company and hold all of the issued and outstanding shares personally or through their respective holding companies;

“Hospitality Management Agreement” means an agreement entered into between the Partnership and a Hospitality Subsidiary pursuant to which a Hospitality Subsidiary will manage the Partnership’s interest in a Hotel Property acquired by the Partnership;

“Hospitality Management Fee” means all fees payable by the Partnership to a Hospitality Subsidiary pursuant to a Hospitality Management Agreement;

“Hospitality Subsidiary” means a subsidiary of Prestige Hospitality Investment Corp.;

“Hotel Property” or **“Property”** means an operating hotel located in major municipal center within North America;

“include”, “including” and **“includes”** mean “include, without limitation”, “including, without limitation” and “includes without limitation”, respectively;

“Income of the Trust” means for any taxation year of the Trust the net income for the year determined pursuant to the provisions of the Tax Act (other than subsection 104(6) and paragraph 82(1)(b)) having regard to the provisions thereof which relate to the calculation of income of a trust, and taking into account such adjustments thereto as are determined by AdminCo in respect of dividends received from taxable Canadian corporations, amounts paid or payable by the Trust to Unitholders and such other amounts as may be determined in the Discretion of AdminCo; provided, however, that capital gains and capital losses shall be excluded from the computation of net income;

“issued and outstanding” means a Unit which has been issued by the Trust in accordance with the terms of the Declaration of Trust until it is cancelled and the register of the Trust has been is adjusted in that respect;

“Limited Partner” means any person who is admitted to the Partnership as a limited partner for as long as they are registered holder(s) of at least one LP Unit;

“London Hotel” means the Hotel Property known as the TownePlace Suites by Marriott London, located in the City of London, Ontario which the Partnership has conditionally agreed to purchase an 85% undivided interest in. See Item 2.2 – “Our Business – The London Hotel”;

“London/Waterloo Hospitality Management Agreement” means the agreement to be entered into between the Partnership and Hospitality Management Corp. pursuant to which Hospitality Management Corp. will manage the Partnership’s Interest in the London and Waterloo Hotels. See Item 2.2 – “Our Business – London/Waterloo Hospitality Management Agreement”;

“London Hotel Franchise License Agreement” means the Franchise Agreement to be entered into between the Partnership and with Marriott International with respect to the operation of the London Hotel as TownePlace Suites by Marriott hotel;

“London Hotel Joint Venture Agreement” means the Joint Venture Agreement dated December 14, 2015 between the Partnership, Palm Holdings Canada Inc. and PP London Hotel Ltd. See Item 2.2 – “Our Business – London Hotel Joint Venture Agreement”;

“London Hotel Purchase Agreement” means the Purchase Agreement dated December 4, 2015 (and amended January 21, 2016) between the Partnership and Palm Holdings Canada Inc., as beneficial owner, and Palm London Inc., as bare trustee. See Item 2.2 – “Our Business – London Hotel Purchase Agreement”;

“LP Units” means collectively the Class A, Class B, Class C, Class D, Class E, Class F, Class G, Class H, Class I, Class J Class K, Class L, Class M, Class N and Class O LP Units;

“LP Unit Net Asset Value” means the net asset value of the LP Units on a per Unit basis determined each year during the term of the Partnership in conjunction with the preparation of the Partnership’s year-end financial statements, by the General Partner, acting in a commercially reasonable manner, in consultation with its tax and accounting advisors, subject to the following: where the Partnership makes an acquisition or disposition of its assets in an amount exceeding \$5,000,000 the General Partner will obtain a new LP Unit Net Asset Value of the LP Units within 45 days of the date of such occurrence. The Net Asset Value of a LP Unit being redeemed shall be the Value last determined by the General Partner prior to the date of the proposed redemption;

“Marketing Agreements” shall have the meaning provided for in note (3) of Item 1.2 - “Use of Available Funds - The Partnership”;

“Management” means collectively the officers and directors of the General Partner;

“Maximum Offering” means the maximum offering hereunder of gross proceeds of \$47,218,110;

“Mezzanine Borrower” shall have the meaning provided for in Item 2.1.2 - “The Partnership - Fees Payable by the Partnership” herein;

“Mezzanine Financing” shall have the meaning provided for in Item 2.1.2 - “The Partnership - Fees Payable by the Partnership” herein;

“Mezzanine Financing Fee” means the sum of two percent (2%) of the profits to the Partnership of any Mezzanine Financing provided by the Partnership to a Mezzanine Borrower plus GST thereon;

“Net Realized Capital Gains” of the Trust for any taxation year of the Trust shall be determined as the amount, if any, by which the aggregate of the capital gains of the Trust for the year exceeds:

- (i) the aggregate of the capital losses of the Trust for the year;
- (ii) any capital gains which are realized by the Trust as a result of a redemption of Units pursuant to the Declaration of Trust; and
- (iii) the amount determined by AdminCo in respect of any net capital losses for prior taxation years which the Trust is permitted by the Tax Act to deduct in computing the taxable income of the Trust for the year;

“Non-Resident” means a Person who is not a resident of Canada and a partnership that is not a Canadian partnership, for purposes of the Tax Act;

“Offering” means the private placement of the Units by the Trust under this Offering Memorandum;

“Offering Memorandum” means this private placement offering memorandum of the Trust, dated January 27, 2016 as the same may be amended, supplemented or replaced from time to time;

“OM Marketing Materials” means a written communication, other than an OM standard term sheet (as that term is defined in National Instrument 45-106 Prospectus Exemptions), intended for prospective purchasers regarding the distribution of Units under this Offering Memorandum that contains material facts relating to the Trust, the Partnership, the Units or this Offering;

“Partnership” means Prestige Hospitality Opportunity Fund - I LP, a limited partnership established under the laws of the Province of Alberta, or any successor or permitted assignee thereof;

“Partnership Act” means the *Partnership Act* (Alberta) as amended and in force from time to time;

“Partnership Agreement” means the amended and restated limited partnership agreement dated March 4, 2015 respecting the Partnership;

“Partnership’s Interest in the London and Waterloo Hotels” means the 85% undivided interest that the Partnership intends to acquire in each of the London Hotel and Waterloo Hotel pursuant to the terms of the London Hotel Joint Venture Agreement and the Waterloo Hotel Joint Venture Agreement. See Item 2.2 – “Our Business – London Hotel Joint Venture Agreement” and “Waterloo Hotel Joint Venture Agreement”;

“Prestige Capital” means Prestige Capital Inc., a private Alberta corporation;

“Permitted Investments” means all property, assets and rights which may be held from time to time by a “mutual fund trust” under the provisions of subsection 132(6) of the Tax Act, including without limitation:

- (i) shares;
- (ii) any property that, under the terms or conditions of which or under an agreement, is convertible into, is exchangeable for or confers a right to acquire, shares;
- (iii) Class B - G limited partnership units of the Partnership;
- (iv) cash;

- (v) bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations;
- (vi) marketable securities;
- (vii) real property situated in Canada that is capital property of the Trust, and interests in such real property, or immovables situated in Canada that are capital property of the Trust and real rights in such immovables;

“**Person**” means any individual, company, corporation, limited partnership, general partnership, firm, joint venture, syndicate, trust, joint stock company, limited liability company, association, bank, pension fund, business trust or other organization, whether or not a legal entity, and any government agency or political subdivision thereof or any other form of entity or organization;

“**Portfolio**” means, collectively, the Hotel Properties acquired by the Partnership;

“**Potyondi**” means Curtis Potyondi, an individual residing in the Town of High River in the Province of Alberta;

“**Preferred Return**” means with respect to a Limited Partner holding Class B, Class C or Class D LP Units, those periods during the term of the Partnership that any amount of a Limited Partner’s Capital Contribution is outstanding, an amount equal to eight percent (8%) per annum, of such Limited Partner’s Capital Contribution from the first day of the month immediately following the month in which such Capital Contribution is made until the date such Limited Partner’s Capital Contribution has been returned through distributions of Distributable Cash made by the Partnership to the Limited Partner (on a first-in, first-out basis). The Preferred Return shall be calculated on the basis of a year of 365 days and the actual number of days (including the first day, but excluding the last day) occurring in the period for which the Preferred Return is being calculated;

“**Prestige Parties**” means Prestige Hospitality HCC GP Inc., Prestige Hospitality HCC Limited Partnership, Prestige Hospitality (2014) HCC Trust, Prestige Hospitality HW GP Inc., Prestige Hospitality HW Limited Partnership, Prestige Capital Inc. (“**Prestige Capital**”), Prestige Hospitality HA Inc., Prestige Hospitality Corp., Prestige Properties Corp., Prestige Hospitality HCC Management Inc., Prestige Hospitality HCC Adminco Inc. and Prestige Hospitality Investment Corp. and any of their Affiliates and subcontractors and any directors, officers, employees and shareholders of the foregoing, and “**Prestige Party**” means anyone of them;

“**Previous Offering**” means the offering of Units by the Trust pursuant to an offering memorandum dated March 9, 2015;

“**Principals**” means collectively Naushad (Jim) Jiwani, Arif Amlani and Saleem Budhwani;

“**Proposed Amendments**” means all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof;

“**pro rata share**” of any particular amount in respect of a Unitholder at any time shall be the product obtained by multiplying the number of Units that are outstanding and owned by that Unitholder at such time by the amount obtained when the particular amount is divided by the total number of all Units that are issued and outstanding at that time;

“**Purchase Conditions**” means the conditions of each of the purchase agreements relating the acquisition of the Partnership’s Interest in the London and Waterloo Hotels. See Item 2.2 – “Our Business – London Hotel Purchase Agreement” and “Waterloo Hotel Purchase Agreement”;

“**Redemption Notes**” means, in the case where a cash redemption is not applicable to Units tendered for redemption, the promissory notes of the Trust that may be distributed by the Trust to satisfy the Redemption Price, with such notes having an interest rate that is equal to the annual average Royal Bank of Canada prime rate calculated from the day the Note is issued and such other commercially reasonable terms as AdminCo may prescribe, subject to a maximum term of five (5) years from the date of issue, as determined in the sole Discretion of AdminCo, provided that the applicable interest shall be paid in a lump sum on the on the maturity date of a Redemption Note;

“**Redemption Price**” means the price per Unit that the Trust shall pay to a redeeming Unitholder, which shall be determined as follows: (i) where a request for redemption is made by a Unitholder within 12 months of the date of issue of a Unit Certificate, the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed less twelve percent (12%); (ii) if a request for redemption occurs between the 12 and 24 month anniversary of the date of issue of a Unit Certificate, the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed less seven percent (7%); and (iii) if a request for redemption occurs after the 24 month anniversary of the date of issue of a Unit Certificate, the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed;

“**Removal Requisition**” means Trust Unitholders comprising not less than 80% of the Trust Unitholders listed on the register of Trust Unitholders maintained by the Trust and the holding in the aggregate not less than 80% of all votes entitled to be voted at a meeting of Trust Unitholders may requisition the Trustees to call a meeting of Trust Unitholders for the purpose of removing a Trustee or Trustees;

“Removal Resolution” means the removal of a Trustee as provided pursuant to the term of the Declaration of Trust which resolution must be passed by a not less than 80% of the Trust Unitholders listed on the register of Trust Unitholders maintained by the Trust and the holding in the aggregate not less than 80% of all votes entitled to be voted at a meeting;

“Securities” means bonds, debentures, notes or other evidence or instruments of indebtedness, shares, stocks, options, warrants, special warrants, installment receipts, subscription receipts, rights, subscriptions, partnership interests, units or other evidence of title to or interest in the capital, assets, property, profits, earnings or royalties, of any Person;

“Securities Act” means the *Securities Act* (Alberta), as amended from time to time, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder;

“Selling Agents” means parties, including Exempt Market Dealers and their dealing representatives, who sell the Units under this Offering on behalf of the Trust and who are entitled to receive commissions from the Trust for such sales under applicable securities laws;

“Selling Commissions” means the commissions of up to nine percent (9%) (inclusive of any dealer administration fee) of the Gross Proceeds from the sale of the Units pursuant to this Offering payable to parties who sell the Units and who are entitled to receive such commissions under applicable securities laws. See Item 7 - “Compensation Paid to Sellers and Finders”;

“Special Resolution” means:

- (i) a resolution approved through the votes cast in person or by proxy at a duly constituted meeting of Limited Partners holding LP Units or at any adjournment thereof called in accordance with this Agreement and representing 66 and 2/3% or more of the votes attaching to the LP Units cast in person or by proxy in accordance with the terms and conditions of the Limited Partnership Agreement; or
- (ii) a written resolution in one or more counterparts signed by Limited Partners holding LP Units representing in the aggregate 66 and 2/3% or more of the votes attaching to the Units in accordance with the terms and conditions of the Partnership Agreement;

“Subscribers” means Persons who subscribe for Units pursuant to this Offering and **“Subscriber”** means any one such Person;

“Subscription Agreement” means the Subscription Agreement entered into between a Subscriber and the Trust with respect the purchase of Units by a Subscriber under this Offering;

“subsidiary” shall have the meaning ascribed thereto in the Securities Act;

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

“Trust” means Prestige Hospitality Opportunity Fund - I, a trust constituted by the Declaration of Trust, as the same may be amended, supplemented or restated from time to time;

“Trust Assets”, at any time, shall mean the Permitted Investments that are at such time held by the Trustee for the benefit of the Unitholders and for the purposes of the Trust under the Declaration of Trust;

“Trustee” means any such Person who is a trustee of the Trust at such time, being Arif Amlani, Saleem Budhwani, Naushad (Jim) Jiواني and Curtis Potyondi as at the date hereof;

“Trust Unit Net Asset Value” means the net asset value of the Trust Units on a per Unit basis as determined each year during the term of the Trust in conjunction with the preparation of the Trust’s year-end financial statements, by the Trustees acting in a commercially reasonable manner, in consultation with the tax and accounting advisors of the Trust, subject to the following: where the Partnership obtains a updated net asset valuation of its limited partnership units as a result of an acquisition or disposition of the assets of the Partnership in amount exceeding \$5,000,000 (a **“Threshold Transaction”**), the Trustees will obtain a new Net Asset Value of the Trust Units within 45 days of the date of a Threshold Transaction occurring. The Net Asset Value of a Trust Unit being redeemed will be the last Value determined by the Trustees prior to the date of the proposed redemption;

“Unit” or **“Trust Unit”** means collectively the Class B, Class C, Class D, Class E, Class F, and Class G trust units of the Trust which represents an interest in the Trust as provided for in the Declaration of Trust and have the rights, privileges, restrictions and conditions set forth in the Declaration of Trust and shall not include fractional Units;

“Unit Certificate” means a certificate, in the form approved by AdminCo, evidencing one or more Units, issued and certified in accordance with the provisions of the Declaration of Trust;

“Unitholders” means at any time the Persons who are the holders of record at that time of one or more Units, as shown on the registers of such holders maintained by or on behalf of the Trust; and

“Unit Subscription Price” means the subscription price for a Unit paid for by a Subscriber to this Offering. See Item 5.2 - “Subscription Procedure”;

“USD” means United States Dollars;

“Waterloo Hotel” means the Hotel Property known as the Courtyard by Marriott Waterloo, St. Jacobs, located in the City of Waterloo, Ontario, which the Partnership has conditionally agreed to purchase an 85% undivided interest in;

“Waterloo Hotel Franchise License Agreement” means the Franchise Agreement to be entered into between the Partnership and with Marriott International with respect to the operation of the Waterloo Hotel as Courtyard (Marriott) hotel;

“Waterloo Hotel Joint Venture Agreement” means the Joint Venture Agreement dated December 14, 2015 between the Partnership, Palm Holdings Canada Inc. and PP Waterloo Hotel Ltd See Item 2.2 – “Our Business – Waterloo Hotel Joint Venture Agreement; and

“Waterloo Hotel Purchase Agreement” means the Purchase Agreement dated December 4, 2015 (and amended January 21, 2016) between the Partnership and St. Jacobs Country Inns Inc., (“Country Inns”) as legal and beneficial owner. See Item 2.2 – “Our Business – Waterloo Hotel Purchase Agreement”;

In this Offering Memorandum, references to “dollars” and \$ are to the currency of Canada, unless otherwise indicated.

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 FUNDS

The following table discloses the estimated available funds (the “**Available Funds**”) of the Offering:

| | | Assuming Minimum Offering | Assuming Maximum Offering |
|---|--|------------------------------|------------------------------|
| A | Amount to be raised by issuance of this Offering | Nil | \$47,218,110 |
| B | Selling Commissions | Nil | (1) |
| C | Estimated Offering costs | Nil | (1) |
| D | Available Funds: $D = A - (B + C)$ | Nil | \$47,218,110 |
| E | Additional sources of funding required | Nil | Nil |
| F | Working Capital Deficiency | Nil | Nil (2) |
| G | Total: $G = D + E - F$ | Nil | \$47,218,110 |

(1) All expenses, fees and commissions related to this Offering will be borne by the Partnership rather than the Trust pursuant to the terms of the Funding Agreement. See Item 2.5 – “Material Agreements – Summary of the Funding Agreement”.

(2) As at December 31, 2015 the Trust did not have a working capital deficiency.

1.2 USE OF AVAILABLE FUNDS

The proceeds from the issue of the Units will be paid to the Trust, deposited in its bank account and administered on behalf of the Trust by AdminCo.

All of the Gross Proceeds from this Offering will be used to acquire Class B - G LP Units in the Partnership and to loan funds to the Holding LP in the event that the Trust chooses to acquire Hotels in the United States. The number of Class B - G LP Units to be acquired by the Trust and the amount of funds loaned to the Holding LP (if any) will be contingent on the amount of funds raised pursuant to this Offering. See Item 2.2 - “Business of the Trust”.

The Trust

The following table sets out the proposed use of Gross Proceeds by the Trust:

| Description of intended use of available funds listed in order of priority | Assuming Minimum Offering | Assuming Maximum Offering |
|--|------------------------------|------------------------------|
| Acquire Class B - G LP Units from the Partnership and loan funds to the Holding LP | Nil | \$47,218,110 |
| All other costs and expenses relating to the Trust’s activities and business | Nil | Nil (1) |
| Total | Nil | \$47,218,110 |

(1) Pursuant to the Funding Agreement, all fees, costs and expenses relating to the Trust’s activities and business will be borne by the Partnership rather than the Trust, including fees payable to the Trustee and AdminCo. See Item 2.5 – “Material Agreements – Summary of the Funding Agreement”.

The Partnership

The Partnership will use the Gross Proceeds of this Offering and the Previous Offering received from the Trust in exchange for the purchase of Class B - G LP Units over the ensuing 12 months from the date of this Offering Memorandum to:

| Description of intended use of available funds listed in order of priority | Assuming Minimum Offering | Assuming Maximum Offering |
|---|---------------------------|---------------------------|
| (i) Pay the estimated legal, accounting and corporate finance costs associated with this Offering | Nil | \$35,000 |
| (ii) Pay for Selling Commissions associated with this Offering ⁽¹⁾ | Nil | \$4,249,629 |
| (iii) Pay the PCI Marketing Fee ⁽²⁾ | Nil | \$1,888,724 |
| (iv) Funds required to acquire the London and Waterloo Hotels ^{(3) (4) (5)} | Nil | \$7,225,000 |
| (v) Working Capital for the acquisition of Hotel Properties ⁽⁶⁾ and Mezzanine Financing | Nil | \$33,719,257 |
| (vi) Pay the estimated operating and administration expense of the Trust and the Partnership ⁽⁷⁾ | Nil | \$100,000 |
| (vii) Pay the Administration Fee to AdminCo ⁽⁸⁾ | Nil | \$500 |
| Total | Nil | \$47,218,110 |

- (1) Assuming the Trust pays an aggregate of nine percent (9%) in Selling Commissions of the Gross Proceeds realized from the sale of Units. The Partnership will pay all Selling Commissions on behalf of the Trust pursuant to the Funding Agreement. See Item 2.5 – “Material Agreements – Summary of the Funding Agreement” and Item 7 – “Compensation Paid to Sellers and Finders”.
- (2) Each of the Trust and the Partnership have entered into marketing agreements (collectively the “Marketing Agreements”) with Prestige Capital, one of the Prestige Parties, pursuant to which Prestige Capital will assist each of the Trust and the Partnership with the conduct of their respective offerings of the Trust Units and Class B - G LP Units, both during and after such offerings. Pursuant to the terms of the Marketing Agreements, each of the Trust and the Partnership will pay Prestige Capital a fee (collectively the “PCI Marketing Fee”) in amounts equal to all costs incurred by Prestige Capital with respect to the marketing, promotional, administrative and operating expenses to this Offering and the offering of Class B - G LP Units by the Partnership including without limitation the wages or fees payable to employees and/or contractors of Prestige Capital who provide services to the Partnership and the Trust on behalf of Prestige Capital. The Partnership will pay the Marketing Fee payable by the Trust pursuant to the Funding Agreement. The Trust and the Partnership are unable to estimate the amount of the Marketing Fees however the aggregate of those fees will be no more than four percent (4%) of the Maximum Offering. In 2015, the Partnership paid Prestige Capital a Marketing Fee of \$86,024. See Item 2.5 - “Summary of Material Agreements - The Partnership - Summary of the Marketing Agreements”.
- (3) The Partnership estimates that it will require approximately \$1,800,000 from funds raised under this Offering to be used to pay a portion of the cash to close with respect to the purchase of the London Hotel and an additional \$2,125,000 to repay the Partnership’s share (85%) of the vendor financing with respect to the acquisition of this Hotel. See Item 2.2 – “Our Business – “London Hotel Purchase Agreement”.
- (4) The Partnership estimates that it will require approximately \$3,500,000 from funds raised under this Offering to be used to pay \$3,500,000 in deposits with respect to the purchase of the Waterloo Hotel and an additional \$934,250 with respect to its share of the cash to close with respect to the acquisition of the Waterloo Hotel. See Item 2.2 – “Our Business – “Waterloo Hotel Purchase Agreement”.
- (5) The Partnership estimates that it will require approximately \$300,000 from funds raised under this Offering to be used to pay for all fees, costs and expenses associated with entering into the London Hotel Franchise License Agreement and the Waterloo Hotel Franchise License Agreement.
- (6) In the conduct of its business the Partnership estimates that it will incur expenses relating to investor relations, accounting, audit, Exempt Market Dealer due diligence and administration fees, operating and administrative costs of the Partnership and the Trust, due diligence costs with respect to the acquisition of Hotel Properties and Mezzanine Financing loans made by the Partnership, office rental, insurance, legal and travel expenses, accounting and bookkeeping expenses (collectively “operating and administration expenses”), all of which will be paid from funds raised from this Offering until such time as these costs can be paid from the operating income of Hotel Properties acquired by the Partnership. Some or all of these expenses may be paid to one or more of the Prestige Parties in return for services provided by a Prestige Party to the Trust and the Partnership with respect to the above matters. The Partnership estimates that if the Maximum Offering is raised and the Partnership fully deploys the maximum amount of working capital in the acquisition of Hotel Properties, that these expenses will total approximately \$175,000 in the ensuing 12 months from the date of this Offering Memorandum. The total amount of administration and operating costs that will be incurred by the Partnership and the Trust are dependent upon: (i) the funds raised under this Offering; (ii) the number and nature of Hotel Properties acquired by the Trust; and (iii) external factors which cannot be anticipated or controlled by the Partnership or the Trust.
- (7) Pursuant to the terms of the Administration Agreement, the Trust shall pay AdminCo an annual fee of \$500 during the term of the Administration Agreement.

1.3 REALLOCATION

(a) THE TRUST

The Trust intends to spend the Available Funds as stated in Item 1.2 herein. The Trust will re-allocate funds only in accordance with the Declaration of Trust.

(b) THE PARTNERSHIP

The Partnership intends to spend the Available Funds as stated in Item 1.2 herein. The Partnership will re-allocate funds only in accordance with the Partnership Agreement.

1.4 WORKING CAPITAL DEFICIENCY

(a) THE TRUST

The Trust does not have a working capital deficiency.

(b) THE PARTNERSHIP

The Partnership does not have a working capital deficiency.

ITEM 2- OUR BUSINESS

2.1 STRUCTURE

2.1.1 THE TRUST

The Trust is an unincorporated, open-ended, limited purpose mutual fund trust formed under the laws of the Province of Alberta on January 9, 2015 pursuant to the Declaration of Trust. The principal place of business of the Trust is #2000, 2021 - 100 Avenue NE, Calgary, AB T3J 0R3, Canada.

The rights and obligations of the Unitholders and Trustees are governed by the Declaration of Trust and the laws of the Province of Alberta and Canada applicable thereto.

A Subscriber will become a Unitholder of the Trust upon the acceptance by AdminCo of such Subscriber's Subscription Agreement.

The Trustees

The Trustees are responsible for the management and control of business and affairs of the Trust on a day-to-day basis in accordance with the terms of the Declaration of Trust. Pursuant to the terms of the Declaration of Trust and the Administration Agreement, the Trustees have assigned the management and control of the business and affairs of the Trust to AdminCo.

AdminCo

AdminCo is a corporation established under the laws of the Province of Alberta. AdminCo is controlled by Management. The officers and directors of AdminCo are Arif Amlani, Saleem Budhwani, Naushad (Jim) Jiواني and Curtis Potyondi.

The Administration Agreement

Pursuant to the Declaration of Trust and the Administration Agreement, the Trustees have granted to AdminCo authority to effect the actual administration of the duties of the Trustees under the Declaration of Trust. The Trustees have granted AdminCo the authority to provide general administrative services and support to the Trust and the Trustees, to act as agent for the Trust, to execute documents on behalf of the Trust and to administer decisions of the Trustees which conform to general policies and general principles set forth in the Declaration of Trust and/or the Administration Agreement or established by the Trustees. AdminCo shall have the powers and duties expressly provided for in the Declaration of Trust and in the Administration Agreement, including the power to further delegate administration of the Trust, provided that no further delegation shall be effective until AdminCo has notified the Trustees of the name of the person or persons to whom such further delegation is made and the terms and conditions thereof.

In the event that AdminCo is unable or unwilling to perform its obligations under the Administration Agreement, the Trustees shall either perform all obligations of AdminCo thereunder or shall be entitled to engage another person that is duly qualified to perform such obligations.

2.1.2 THE PARTNERSHIP

The Partnership is a limited partnership established under the laws of the Province of Alberta on August 11, 2014.

The Partnership's head office is located at #2000, 2021 - 100 Avenue NE, Calgary, AB T3J 0R3. The Partnership was established to carry on real estate investments as described in more detail under Item 2.2 – "Our Business - The Partnership".

The Trust became a limited partner of the Partnership through acquiring an aggregate of 3,025,858 Class B - F LP Units with the available funds of the Previous Offering. See Item 4.3 - "Prior Sales" for the specific number and Classes of LP Units held by the Trust. In the event that the Maximum Offering of this Offering is achieved, the Trust expects to acquire in the aggregate, 50,506,015(rounded) Class B - G LP Units, which would represent 100% of the LP Units to be issued by the Partnership in those respective classes of LP Units.

Hospitality holds 400,000 Class A LP Units and Potyondi holds 100,000 Class A LP Units, which were purchased for the subscription price of one dollar (\$1) per Class A LP Unit. These Units represent 100% of the Class A LP Units issued in the Partnership.

The Trust will acquire the same number and corresponding class of Class B - G LP Units as Class B - G Trust Units issued by the Trust. For example, if the Trust issues 15,000 Class B Trust Units pursuant to this Offering, it will then acquire 15,000 Class B LP Units from the Partnership with the proceeds of that distribution.

The Partnership may, in the sole discretion of the General Partner, choose to issue any combination of Class B - O LP Units. The Trust will not acquire Class H - O LP Units from the Partnership. These LP Units may be issued by the Partnership to investors other than the Trust in the Partnership's Discretion. Where the Partnership issues Class H - O LP Units, the number of Class B - G LP Units available for purchase by the Trust will be reduced by the corresponding number of Class H - O LP Units issued by the Partnership.

The General Partner

The General Partner of the Partnership is Prestige Hospitality Opportunity Fund - I GP Inc., a corporation established under the laws of the Province of Alberta on July 31, 2014. The General Partner is controlled by the Trustees who are the officers and directors of the General Partner. See Item 3.1 - "Directors, Promoters and Principal Holders".

The General Partner has, to the exclusion of the Limited Partners, the sole power and exclusive authority to manage the business and affairs of the Partnership, to make all decisions regarding the business of the Partnership and to bind the Partnership. The General Partner is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Limited Partners and the Partnership and shall, in discharging its duties, exercise the degree of care, the diligence and the skill that a reasonably prudent manager of a partnership would exercise in similar circumstances. Certain restrictions are imposed on the General Partner and certain actions may not be taken by it without the approval of the Limited Partners by special resolution. The General Partner cannot dissolve the Partnership or wind up its affairs except in accordance with the provisions of the Partnership Agreement.

The General Partner has:

- i. unlimited liability for the debts, liabilities and obligations of the Partnership;
- ii. subject to the terms of the Partnership Agreement, and to any applicable limitations set forth in the Partnership Act and applicable similar legislation, the full and exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of the Partnership; and
- iii. the full and exclusive right, power and authority to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary for or incidental to carrying out the business of the Partnership.

An action taken by the General Partner on behalf of the Partnership is deemed to be the act of the Partnership and binds the Partnership.

Notwithstanding any other agreement the Partnership or the General Partner may enter into, all material transactions or agreements entered into by the Partnership must be approved by the board of directors of the General Partner.

Fees Payable by the Partnership

The Partnership Agreement provides that the Partnership will pay the following fees to a Hospitality Subsidiary:

The Partnership:

- (i) will pay a Hospitality Subsidiary, with respect to future Hotel Properties acquired by the Trust, two percent (2%) of the gross revenues from the operation of a Hotel Property or partial interest in a Hotel Property managed by a Hospitality Subsidiary as determined by GAAP;
- (ii) will pay any reasonable expenses incurred by a Hospitality Subsidiary in the performance of its services under a Hospitality Management Agreement;
- (iii) will pay to the General Partner two percent (2%) of the profits of any Mezzanine Financing provided by the Partnership to a Mezzanine Borrower, plus GST.

See Item 2.5 – “Summary of Material Agreements – Summary of a Hospitality Management Agreement”.

Acquisition of Class B-G LP Units by the Trust

The Trust will continue to acquire Class B - G LP Units in the Partnership with proceeds from future closings under this Offering.

Distributable Cash of the Partnership

The ability of the Trust to make distributions of cash and to make cash redemptions of Units will be wholly dependent upon distributions of Distributable Cash the Trust receives from the Partnership pursuant to the terms of the Partnership Agreement.

The following are the terms of the Partnership Agreement relating to the distributions of Distributable Cash:

- (i) with respect to the General Partner, 0.01% thereof;
- (ii) the Class A Proportionate Share of Distributable Cash to the holders of Class A Units in accordance with their Class A Proportionate Share;
- (iii) the Class B Proportionate Share of Distributable Cash will be distributed:
 - (1) firstly, to holders of Class B Units in accordance with their Class B Proportionate Share until each holder of Class B Units has received return of their Capital Contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid Preferred Return with respect to Class B LP Units; thereafter
 - (3) thirdly, 70% (the “**Class B Unit Distribution Entitlement**”) to the holders of Class B Units in accordance with their Class B Proportionate Share and 30% to the holders of Class A LP Units in accordance with their Class A Proportionate Share (the “**Class B Distribution Ratio**”) subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class B LP Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 70% of the Class B Proportionate Share of Distributable Cash (the “**Class B Unit Entitlement Threshold**”) and the General Partner, in its Discretion, may adjust the Class B Distribution Ratio between the holders of Class A LP Units and the holders of Class B LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of Distributable Cash to the holders of Class B LP Units does not exceed the Class B Unit Entitlement Threshold;
- (iv) the Class C Proportionate Share of Distributable Cash will be distributed:
 - (1) firstly, to holders of Class C LP Units in accordance with their Class C Proportionate Share until each holder of Class C LP Units has received return of their Capital Contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid Preferred Return with respect to Class C LP Units; thereafter
 - (3) thirdly, 72.5% (the “**Class C Unit Distribution Entitlement**”) to the holders of Class C LP Units in accordance with their Class C Proportionate Share and 27.5% to the holders of Class A LP Units in accordance with their Class A Proportionate Share (the “**Class C Distribution Ratio**”) subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class C LP Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 72.5% of the Class C Proportionate Share of Distributable Cash (the “**Class C Unit Entitlement Threshold**”) and the General Partner, in its Discretion, may adjust

the Class C Distribution Ratio between the holders of Class A LP Units and the holders of Class C LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of Distributable Cash to the holders of Class C LP Units does not exceed the Class C Unit Entitlement Threshold;

- (v) the Class D Proportionate Share of Distributable Cash will be distributed:
 - (1) firstly, to holders of Class D LP Units in accordance with their Class D Proportionate Share until each holder of Class D LP Units has received return of their Capital Contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid Preferred Return with respect to Class D LP Units; thereafter
 - (3) thirdly, 75% (the “**Class D Unit Distribution Entitlement**”) to the holders of Class D LP Units in accordance with their Class D Proportionate Share and 25% to the holders of Class A LP Units in accordance with their Class A Proportionate Share (the “**Class D Distribution Ratio**”) subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class D LP Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 75% of the Class D Proportionate Share of Distributable Cash (the “**Class D Unit Entitlement Threshold**”) and the General Partner, in its Discretion, may adjust the Class D Distribution Ratio between the holders of Class A LP Units and the holders of Class D LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of Distributable Cash to the holders of Class LP D Units does not exceed the Class D Unit Entitlement Threshold;
- (vi) the Class E Proportionate Share of Distributable Cash will be distributed:
 - (1) firstly, to holders of Class E LP Units in accordance with their Class E Proportionate Share until each holder of Class E LP Units has received return of their Capital Contributions in respect of all such Units held; thereafter;
 - (2) secondly, 85% to the holders of Class E LP Units in accordance with their Class E Proportionate Share and 15% to the holders of Class A LP Units in accordance with their Class A Proportionate Share;
- (vii) the Class F Proportionate Share of Distributable Cash will be distributed:
 - (1) firstly, to holders of Class F LP Units in accordance with their Class F Proportionate Share until each holder of Class F LP Units has received return of their Capital Contributions in respect of all such Units held; thereafter
 - (2) secondly, 87.5% to the holders of Class F LP Units in accordance with their Class F Proportionate Share and 12.5% to the holders of Class A LP Units in accordance with their Class A Proportionate Share;
- (viii) the Class G Proportionate Share of Distributable Cash will be distributed:
 - (1) firstly, to holders of Class G LP Units in accordance with their Class G Proportionate Share until each holder of Class G LP Units has received return of their Capital Contributions in respect of all such Units held; thereafter
 - (2) secondly 90% to the holders of Class G LP Units in accordance with their Class G Proportionate Share and 10% to the holders of Class A LP Units in accordance with their Class A Proportionate Share; and
- (ix) with respect to Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O LP Units, the General Partner in its Discretion may allocate any of the distributions to be made to the Class A LP Units in sub-paragraphs (i)-(viii) above to the holders of Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O LP Units on any terms on its Discretion that it so chooses.

If the General Partner determines to make a distribution of Distributable Cash, the General Partner will distribute Distributable Cash pursuant to the above to the Partners whose names appear on the LP Unit register maintained by the General Partner on the date on which such distribution is being made. Distributions made under this Agreement will be net of any tax required by law to be withheld by the General Partner on behalf of the Partnership.

The General Partner may, in its Discretion at any time, may return to the Limited Partners their Capital Contribution (less the amount of cash or the agreed value of property which has been previously paid or distributed in respect of such Unit on account of capital) in such amounts as the General Partner may determine, pro rata in proportion to the number of Units held by each Limited Partner; provided that the General Partner may not make any such advance or distribution if and to the extent:

- (a) any Partner's share thereof would exceed the Capital Contribution of such Partner (less the amount of cash or the agreed value of property which has been previously paid or distributed in respect of such Unit on account of capital); or
- (b) such distribution would be contrary to any provision of any agreement to which the Partnership is a party or by which the Partnership is bound (including any financing) or to any applicable law.

Subject to advice to the contrary received from its accounting advisors, any distributions of Distributable Cash made by the Partnership to the Trust with respect to Class B, Class C and Class D LP Units acquired by the Trust, after the Partnership has paid to the Trust any amounts with respect to any Preferred Return due and owing in respect of such LP Units, shall be paid as a return of Contributed Capital by the Partnership.

Subject to advice to the contrary received from its accounting advisors, distributions of Distributable Cash made by the Partnership to the Trust with respect to Classes E-G LP Units acquired by the Trust shall be paid firstly as a return of Contributed Capital by the Partnership until the Trust has received return of all its Contributed Capital in respect of such LP Units acquired by it.

The Trust will be the only holder of Class B-G LP Units in the Partnership.

The Class A LP Units in the Partnership are held by Hospitality (80%), a corporation controlled by three (3) of the Trustees and by Potyondi (20%). See Item 3.1.2 – “The General Partner”.

Other Advances or Distributions

Subject to and in the same priority as set forth above, the General Partner may, in addition to the advances or distributions described above, advance or distribute Distributable Cash at any other time and establish a record date for making of such advance or distribution. Notwithstanding the foregoing, the General Partner will not make any such advance or distribution if and to the extent such advance or distribution would be contrary to any provision of any other agreement to which the Partnership is a party, or by which the Partnership is bound (including any loan agreement) or to any applicable law.

2.2 OUR BUSINESS

The Trust

The Trust has carried on limited business prior to this Offering and has limited financial and development history. Since inception, the Trust has engaged in the offering of Trust Units under the Previous Offering and the acquisition of 3,025,858 Class B-F LP Units from the Partnership.

The Trust was established for the primary purpose of (indirectly through the Partnership):

- (i) acquiring Hotel Properties in North America; and
- (ii) providing financing mezzanine style loans (“Mezzanine Financing”) to hotel operators, inclusive of hotel operators related to the General Partner (each a “Mezzanine Borrower”) operating hotels in major municipal centers within North America as a leverage mechanism to acquire equity positions in or ownership of Hotel Properties.

Throughout this Offering Memorandum reference will be made to the Trust acquiring Hotel Properties or providing Mezzanine Financing. Notwithstanding this reference, investors should note that Hotel Properties will not be acquired directly by the Trust nor will the Trust directly provide Mezzanine Financing. Legal title to a Hotel Property will be held by the Acquisition LP or the Acquisition GP created by the Partnership with respect to each Hotel Property acquired (where the Trust acquires a 100% interest in a Hotel Property) and the Partnership will provide Mezzanine Financing to Mezzanine Borrowers.

The Trust intends to make distributions of operating income from Hotel Properties to Unitholders, with the goal of ultimately disposing of Hotel Properties acquired by it through the Partnership to generate positive returns on investments which the Trust will distribute to Unitholders.

Where a Hotel Property is sold, the whole of the net proceeds of that sale will be distributed by the Partnership to its Limited Partners in accordance with the terms of the Partnership Agreement. See Item 2.1.2 - “The Partnership - Distributable Cash of the Partnership”.

Where Mezzanine Financing has been provided by the Partnership to a Mezzanine Borrower and the Financing has been repaid, the Partnership may re-advance the principal amount of such Financing to a new Mezzanine Borrower or Borrowers.

The Partnership

- (a) The Partnership was formed to:
 - (i) acquire and operate existing operating Hotel Properties located in major municipal centers within North America;
 - (ii) where the Partnership sells or otherwise transfers an interest owned by it in a Hotel Property, any Distributable Cash available for distribution from such divestiture shall be distributed by the General Partner to the Limited Partners in accordance with the Partnership Agreement;
 - (iii) provide hotel management consulting services to third party hotel owners and operators throughout North America;
 - (iv) provide Mezzanine Financing to Mezzanine Borrowers operating hotels in major municipal centers within North America as a leverage mechanism to acquire equity positions in or ownership of Hotel Properties;
 - (v) in carrying on its business, the Partnership may enter into joint ventures or partnerships with unrelated partnerships or parties in the acquisition of a Hotel Property;
 - (vi) if the General Partner determines in good faith that for legal, tax, regulatory or other reasons it is in the best interests of the Partnership for the Partnership to own or hold Hotel Property in a separate structure, the General Partner is authorized to cause the Partnership to form the same (“Alternative Vehicle”) and to contribute and/or make available, funds necessary for such Alternative Vehicle to acquire, own, maintain, improve, operate or dispose of such Hotel Property; and
 - (vii) conduct any other business or activity incidental, ancillary or related thereto.
- (b) The Partnership shall have the power to do any and every act and thing necessary, proper, convenient or incidental to the accomplishment of its business and purposes;
- (c) The purposes of the Partnership are to be construed as both purposes and powers of the Partnership.

Acquisition of Hotel Properties

Each Hotel Property in which a 100% interest in such Property is acquired by the Trust will be held in a separate registered limited partnership (each an “Acquisition LP”) that will be controlled by the Partnership.

Where a Hotel Property acquired by the Trust is located in the United States, the Acquisition LP relating to that Property will be a United States registered limited partnership. The Partnership’s interest in each United States registered Acquisition LP will be held by the Holding LP.

Where a Hotel Property acquired by the Trust is located in Canada and the Trust acquires a 100% interest in such Property, the Acquisition LP relating to that Property will be a Canadian registered limited partnership. The Partnership’s interest in each Canadian registered Acquisition LP will be held by the Partnership directly. See the heading below “*Description of Hotel Property Acquisition Structure*”.

Each Acquisition LP will have a general partner (each an “Acquisition GP”) that will be private corporation incorporated in the jurisdiction in which the Hotel Property to be held by an Acquisition LP is located. Each Acquisition GP will be controlled by the officers and directors of the General Partner. The officers and directors of each Acquisition GP will be comprised of officers and directors of the General Partner.

The Trust may acquire Hotel Properties in conjunction with unrelated third parties through joint ventures or partnerships with such parties, in which case the manner in which the Trust’s interest in such a Hotel Property is held by the Trust will be subject to negotiation between the Trust and the third party with whom the Trust acquires the Hotel Property.

Investment Objectives of the Trust

The Trust’s investment objectives are to:

- (a) indirectly acquire, own and lease a portfolio of diversified Hotel Properties;
- (b) enhance the potential for long-term growth of capital through value-added enhancements to the Hotel Properties;
- (c) provide Mezzanine Financing;
- (d) make distributions of Cash Flow of the Trust to Unitholders resulting indirectly from the revenue produced by the Hotel Properties acquired by the Partnership and Mezzanine Financing provided by the Partnership; and

- (e) ultimately dispose of Hotel Properties acquired by the Partnership and distribute sale proceeds to Unitholders.

To a great degree the Trust will rely on Management to achieve the investment objectives of the Trust.

Prestige Hospitality Group

The Trustees of the Trust have successfully developed over \$300 million of assets, including two (2) Hilton branded hotels located at the Calgary International Airport through the Prestige Hospitality Group. They are currently developing Alberta's first full-service Hilton hotel together with 30,000 square feet of conference area, which will be located at the Calgary International Airport. They have also successfully developed Park 2 Go, an innovative valet parking service operated at Calgary International Airport.

The Trustees bring the following expertise:

- In-depth industry knowledge;
- Established brand management expertise;
- Rigorous acquisition analysis process;
- Ability to identify successful locations; and
- Operational turn around expertise.

The names and principal occupations of the Trustees are set forth below.

Arif Amlani

2006-Present: Co-founder of Prestige Hospitality Group
2007-Present: Co-Founder of Park 2 Go
2000-Present: Co-founder and Principal of Waverley House Personal Care Homes Inc.
2000-2014: Co-founder and Principal of Millrise Place and Monterey Place Seniors Assisted Living Facilities
1990-2006: Co-founder and Principal of Point Grey Homes Inc.

Saleem Budhwani

2006-Present: Co-founder of Prestige Hospitality Group
2007-Present: Co-Founder of Park 2 Go
2000-Present: CFO Prestige Auto Group (Country Hills Toyota, South Pointe Toyota, Mayfield Toyota, South Pointe Lexus)
2003-Present: Director of Operations High River Toyota
1995-2000: Financial controller at Sopha Mgt Ltd, a multi-national hospitality company
1990-1995: Controller at IPS Ltd

Naushad (Jim) Jiwani

2006-Present: Co-founder of Prestige Hospitality Group
2007-Present: Co-Founder of Park 2 Go
2013-Present: Principal South Pointe Lexus
2011-Present: Principal South Pointe Toyota
2004-Present: Principal of Country Hills Toyota
1998-Present: Principal of Mayfield Toyota
1991-2003: Principal T&T Honda

Curtis Potyondi

2010: Current: President Prestige Capital Inc.
2007-2009: VP Sales, Signature Capital Inc.
2002-2007: Principal Potyondi Consulting
1994-2002: Principal Progro Greenhouses Inc.

Mr. Potyondi has managed successful exempt market capital raises of \$7 million for Prestige Hospitality HA Inc. and \$9.5 million for Prestige Hospitality HW LP and was involved with the implementation of the business plan, as well as the development and opening of the Hilton branded hotels associated with these offerings.

Experts in International Branded Assets. The Principals have extensive experience in procuring and operating internationally branded assets. Collectively they currently own/oversee 11 separate locations encompassing 7 different international brands with an asset value of in excess of \$330 million. Over the course of the last 20 years they have owned and operated 23 branded locations worth a total of approximately \$560 million. Collectively through their respective business enterprises, the Principals currently employ over 1000 people.

Current Prestige Hospitality Group Hotel Properties

To date the Prestige Hospitality Group has successfully developed and is now operating the Hampton Inn Calgary Airport North and the Homewood Suites Calgary Airport. These hotels complete the first 2 phases of the proposed 3 phase Calgary Airport Hotels and Conference Centre Project (the “Project”). Capital for both the Hampton Inn by Hilton, owned and operated through Prestige Hospitality HA Inc., (\$7,000,000 raised through an offering the (“Hampton Offering”) of preferred shares) and Homewood Suites by Hilton owned and operated through Prestige Hospitality HW Limited Partnership (\$9,500,000 raised through an offering (the “Homewood Offering”) of limited partnership units) projects was successfully raised through the exempt market. In addition, the Principals have currently invested over \$20,000,000 into the first two phases of the Project and have provided over \$30,000,000 in personal guarantees to these phases of the Project.

Hilton Worldwide awarded Prestige Hospitality Inc. the “2008 Deal of the Year” for their plan and vision for the Hilton® Hotel at the Calgary Airport Hotels & Conference Centre Project.

The Calgary Airport Hotels and Conference Centre is a three phase hospitality development located immediately north of the Calgary International Airport which is Canada’s third busiest airport. The Project is conveniently set in the heart of the airport's business park. The Project, when completed, will feature 3 Hilton branded assets (Hampton Inn by Hilton, Homewood Suites by Hilton and Hilton Hotel) as well as a state of the art 30,000 square foot convention centre and will be comprised of 437 rooms.

Phase one of the Project was the construction of a 135 room Hampton Inn by Hilton. This hotel is the closest Hampton Inn to the Calgary Airport and provides 24-hour airport shuttle service which reduces the complexity and duration of travel. The hotel opened in December of 2013 after 18 months of construction and is currently meeting management’s expectations. First dividends to preferred shareholders in this phase of the Project were made in 2015. Preferred shareholders of this phase of the Project have had the option since 2014 to redeem a maximum of \$300,000 preferred shares per calendar year. Prestige Hospitality HA Inc. honoured and exceeded that commitment, redeeming or purchasing \$1.7 Million in preferred shares from its shareholders exceeding the required amount of \$600,000.

Phase two of the Project was the construction of a 122 room Homewood Suites by Hilton hotel. This hotel caters to upscale extended stay travellers who want the comforts of home. This hotel opened in April of 2014 and is also meeting management’s revenue and occupancy expectations. First distributions to limited partners in this phase of the Project were made in 2015.

As of the date of this Offering Memorandum, the Hampton Inn and the Homewood Suites have received Booking.com ratings of 9.0 and 9.3 respectively. Both hotels were awarded the TripAdvisor “Certificate of Excellence” in 2015.

Phase three of the Project will be Alberta’s first full service Hilton Hotel with 180 rooms and 30,000 square foot conference centre. This hotel will feature 2 presidential suites, upscale restaurant, barista style coffee shop, and a fitness centre and spa. The main ballroom in the convention centre will seat 1000 people for dinner.

Both the Homewood and Hampton hotels are currently professionally managed by Hilton Management Services, a division of Hilton Worldwide.

With access to revenue maximization software, hospitality best practices, and highly trained and motivated staff, the Prestige Hospitality Group hotels are setting the standard for airport accommodation in Calgary.

Investment Strategy of the Trust:

Acquire Hotel Properties at Attractive Valuations

The Principals have identified a unique opportunity in the hospitality industry. The industry is struggling with an aging ownership group and a lack of succession planning⁽¹⁾. The industry is also subject to barriers to entry which include the large amount of capital required to purchase existing Hotel Properties and the ability of new purchasers to satisfy the franchise requirements of premium Hotel brand operators such as Hilton and Marriott, particularly in “A” markets, thereby reducing the number of qualified buyers in the hospitality industry in North America. The above circumstance has created an opportunity for industry insiders who have access to capital to expand their existing portfolios through acquisitions.

⁽¹⁾ 4 out of 5 of family owned business have no formal succession plans creating numerous buying opportunities. According to Benjamin Tal of CIBC, 30% of current business owners will exit ownership or transfer control of their businesses within five years. Inadequate Business Succession Planning – A Growing Macroeconomic Risk by Benjamin Tal CIBC Economics November 13, 2012.

The industry also has a large number of Hotel Properties which have not been properly maintained as current owners have stripped out the operational cash flow and capital reserves. This situation has created the opportunity to improve, reposition and/or re-brand Hotel Properties thereby creating an opportunity for buyers with available capital for acquisitions.

According to Colliers International Canadian Hotel Investment Report 2015 the size of the Canada market in 2014 was approximately \$1 Billion in transactions and is expected to continue for 2015. The transaction volume is driven by several factors some of them are strong hotel operating fundamentals, the cost of debt is at an all-time low, and there are more parties willing to lend money to buyers. The Trust believes there is an abundant amount of acquisition deal flow due to these current market conditions.

The Trust intends to identify undervalued Hotel Properties by leveraging the relationships of management with a network of real estate brokers, Hotel Property owners, and financial institutions to identify Hotel Properties for potential acquisition by the Trust. Many of these opportunities may be “off-market” and not widely marketed for sale.

The Trust expects to target sellers of Hotel Properties who lack a succession plan and are looking to monetize their business either partially or completely. Upon acquisition of a Hotel Property the Trust will take steps to reposition the Property if required and engage in the professional management of the Property with the intention to increase the annual operating income of the Property which in turn would increase the value of the Property. The Trust intends to sell Hotel Properties acquired by it either on an individual basis or as a full or partial portfolio to parties who are seeking to acquire stable low risk well managed hotel assets such as pension funds, institutional buyers, or hotel REITs.

The following are the tactics which the Trust will employ in identifying Hotel Properties for acquisition:

- Negotiate with sellers to place Hotel Properties under contract and conduct a thorough due diligence process including review and analysis of leases, cash flow models, market studies, environmental reports, and structural reports (typically over a 30 to 60 day period).
- Source debt financing terms from various lenders, finalize diligence and debt financing with the selected lenders (if applicable), and acquire the Hotel Property.

The Trust intends to use industry best practices to and ensure the best talent is engaged on behalf of the Trust with respect to the acquisition, the daily operational management, and the sale of a Hotel Property.

Professional Management

The Trust will engage well trained personnel and provide them access to revenue management systems, financial reporting software, as well as industry and brand best practices with respect to the management of Hotel Properties that the Trust acquires. Their duties will include but are not limited to:

- Implementation of appropriate control and reporting systems;
- Preparation of annual operating budgets;
- Supervision of on-site staff including selection, hiring, directing, training;
- Maintaining appropriate operating procedures and systems as required by the Hotel Property;
- Preparation of timely periodic financial statements;
- Preparation of annual marketing plans and on-going direction of advertising and promotion programs; and
- Establish competitive room rates and food & beverage prices.

The responsibility for strategic decisions, capital improvements, selection of the management team and financing will remain with either solely with the Trustees where the Trust acquired 100% of a Hotel Property or with the Trustees together with its joint venture partners in the case of a Hotel Property being the subject to a joint venture agreement, such as is the case with the London and Waterloo Hotels. See Item 2.2 – “Our Business – “London Hotel Joint Venture Agreement” and See Item 2.2 – “Our Business – “Waterloo Hotel Joint Venture Agreement”. To ensure the management of a Hotel Property is occurring in accordance with any management contract relating to a Property and the Trust’s strategic goals, the following steps will be undertaken by the Trustees:

- Monthly internal financial statement review by the Trustees;
- Quarterly site visits by the Trustees;
- Commission and review STRS reports (Independent Industry Competitive Comparisons); and
- Review of annual audited financial statements.

Acquisition Parameters

The following are the acquisition parameters that the Trust will follow in the acquisition of Hotel Properties

- Purchase existing North American based Hotel Properties which are internationally branded or Hotel Properties which are capable of being branded as a Hilton, InterContinental, Marriot or Starwood hotels or other such major brands of North American hotel as the Trustees, in their sole discretion, may determine. 20% of the aggregate of the gross funds raised from this Offering, the Previous Offering and any future offerings of Units undertaken by the Trust may be used to acquire Hotel Properties that do not meet the above stated branding requirements.
- Hotel Properties will be professionally managed by vested management or professional third party management.
- The cash investment by the Trust in a single Hotel Property will be limited to no more than \$16,500,000.
- Loan to value ratio with respect to Hotels acquired by the Trust will not exceed 75% on any one Property other than with respect to the acquisition of the London Hotel which will have a loan to value ratio of 77% (rounded) upon acquisition. The vendor financing obtained with respect to the acquisition of the London Hotel requires that \$500,000 be paid as a partial payment of this amount within 30 days of the closing date of the acquisition of this Hotel. This payment will bring the loan to value ratio of this Hotel to 74% (rounded). The remaining balance of \$2,000,000 of the vendor financing obtained with respect to the acquisition of the London Hotel is to be repaid by the London Hotel Joint Venture on October 31, 2016. At that time the loan to value ratio of the London Hotel will then be at 60%. See Item 2.2 – “Our Business – “London Hotel Purchase Agreement.
- The Hotel Properties will not be acquired from any Prestige Party.
- Hotel Properties may be acquired by way of joint venture or partnership with third parties.
- The Trust may acquire Hotel Properties by way of vendor financing.
- Hotel Properties acquired by the Trust are expected, after improvements made by the Trust to the operation of a Hotel, to provide a minimum annual return (inclusive of operational and disposition proceeds) of 11% on investment. The Trust will acquire Hotel Properties that it believes can be sold within 3-5 years of acquisition that will provide the above return.
- The Trust will continually monitor the hospitality real estate investment and capital markets with a view towards maximizing disposition value of Hotel Properties acquired by the Trust.

Mezzanine Financing

- The Trust will offer Mezzanine Financing to hotel owners in North America. Mezzanine Financing offered by the Trust will be designed to be short term with an initial duration less than 24 months to Mezzanine Borrowers seeking to enhance their hotels through brand standard maintenance, Property Improvement Plans, or owners looking to enlarge or expand their hotel properties.
- The maximum limit of any Mezzanine Financing provided to any single Mezzanine Borrower will be \$5,000,000.
- The minimum annual interest rate of any Mezzanine Financing provided by the Trust will be 11%.
- The Trust may provide Mezzanine Financing to one or more Prestige Parties on the above terms and conditions, but only upon such financing being authorized by Extraordinary Unitholder Resolution of the Unitholders of the Trust at a special meeting of the Unitholders called in accordance with the terms and conditions of the Trust Declaration. No Prestige Party nor any officer, director or shareholder of a Prestige Party may vote in respect of any such resolution.

Acquisition Strategy

Asset Management Philosophy to Increase the Value of Hotel Properties

With respect to each Hotel Property acquired, the Trust will:

- Prepare a business plan for each Hotel Property addressing the Property’s needs and areas of improvement and apply an entrepreneurial philosophy of maintaining distributions and increasing value over the medium to long term.
- Assess each Hotel Property to determine how to optimally refurbish and reposition the Property if required. In a number of situations, it is the existing owner who is distressed and not the asset. This creates an opportunity to reposition the Hotel Property through modest and targeted capital projects and/or operational improvements.

Benefits of Branding

Hotels acquired by the Trust are or can be internationally branded hotels. International brands add value to individual hotel properties due to global distribution systems, loyalty programs (which can provide more than 60% of revenue), standardized quality and name recognition; resulting in higher operating volumes. Internationally branded assets are also less volatile in terms of Net Operating Income, Occupancy, and Average Daily Rate, all key metrics in determining the performance and profitability of a hotel⁽²⁾.

(2) *Do Brands Matter – International Journal of Hospitality Management – John W. O'Neill*

Investment Rationale:

Management's extensive relationships with real estate brokers, Hotel Property owners and financial institutions is expected to allow the Trust to acquire a number of its Hotel Properties on an "off-market" basis. It is preferred to acquire assets in this fashion as "off-market" opportunities are typically bought at a discount to the current market pricing due to the lack of a competitive bidding process.

Leverage

The current commercial real estate debt financing market offers debt financing at attractive interest rates which the Trust intends to fully utilize in order to increase return on equity. The Trust will limit the overall loan-to-value ratio of any mortgage financing to a maximum of 75% of the value of a Hotel Property purchase price. See Item 4.3 – "Long Term Debt".

Distributions:

Distribution of Income from Hotels

The Trust intends to make distributions of taxable income from Hotel Properties and Mezzanine Financing to Unitholders.

It is the intention of the Trust to distribute all cash distributions it receives from the Partnership to Unitholders.

Distributions from the Sale of Hotel Properties or Wind-Up or Dissolution of the Partnership

Cash Flow of the Trust resulting from the sale of Hotel Properties by the Partnership or upon wind-up or dissolution of the Partnership will be distributed in the same manner as described above.

Factors Affecting Distributions

The ability of the Trust to make cash distributions and the actual amount distributed will depend on the ability of the Trust to indirectly acquire the Properties and the ongoing operations of the Properties, and will be subject to various factors including those referenced in the Item 8 – "Risk Factors" section of this Offering Memorandum. The Preferred Return of eight percent (8%) per annum payable by the Partnership to the Trust with respect to Class B, Class C and Class D LP Units, which will ultimately form part of the distributions available from the Trust to the Unitholders, is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and the anticipated return on investment is based upon many performance assumptions.

Although the Trust intends to distribute its available cash to the Unitholders, such cash distributions may be reduced or suspended. The ability of the Trust to make cash distributions and the actual amount distributed will depend on the ability of the Trust to indirectly acquire the Hotel Properties and the ongoing operations of the Hotel Properties, and will be subject to various factors including those referenced in Item 8 - "Risk Factors" of this Offering Memorandum. It is important for Subscribers to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the distributions to Unitholders. See Item 8 - "Risk Factors" for a more complete discussion of these risks and their potential consequences.

Redemption of Units by the Trust

Unitholders may redeem Units, subject to certain restrictions, by providing a duly executed Redemption Notice to the Trustee. See Item 2.5 – "Material Agreements – Summary of the Declaration of Trust - Redemption of Units". The Redemption Price shall be determined as follows:

(i) where a request for redemption by a Unitholder occurs within 12 months of the date of issue of a Unit Certificate, the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed less twelve percent (12%);

(ii) if a request for redemption occurs between the 12 and 24 month anniversary of the date of issue of a Unit Certificate, the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed less seven percent (7%); and

(iii) if a request for redemption occurs after the 24 month anniversary of the date of issue of a Unit Certificate, the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed.

The Redemption Price for Units paid by the Trust may not be paid in cash in certain circumstances but instead may be paid through the issue of Redemption Notes by the Trust. **Redemption Notes likely will not be a qualified investment for tax-exempt subscribers.** See Item 6 - “Income Tax Considerations”.

Where in the Discretion of AdminCo the Trust chooses to pay the Redemption Price in cash, the maximum aggregate redemption proceeds shall not exceed \$75,000 per calendar quarter in cash; provided that, in AdminCo’s Discretion the Trust may pay in excess of \$75,000 of cash in a calendar quarter. See Item 2.5 – “Material Agreements – Summary of the Declaration of Trust – Redemption of Units”.

The redemption right is not intended to be the primary mechanism for Trust Unitholders to liquidate their investment.

Operating Policies

The operations and affairs of the Trust and the Partnership will be conducted in accordance with the following policies:

- (a) the Partnership may engage in construction or development of real property to maintain its Hotel Properties in good repair or to improve the income producing potential of Properties in which the Partnership has an interest;
- (b) where the Partnership acquires a 100% interest in a Hotel Property, title to each Hotel Property shall be held by and registered in the name of the Acquisition GP of the Acquisition LP to which the Hotel Property relates with respect to Hotel Properties located in Canada. With respect to Hotel Properties located in the United States title will be held and registered in the name of the Acquisition LP to which the Hotel Property relates;
- (c) where the Trust acquires a Hotel Property in conjunction with an unrelated third party through a joint ventures, partnership or other acquisition structure, the manner in which the Trust’s interest in such a Hotel Property is held by the Trust will be subject to negotiation between the Trust and the third party with whom the Trust acquires the Hotel Property;
- (d) the Partnership shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the Trust and the accidental loss of value of the assets of the Trust from risks, in amounts, with such insurers, and on such terms as the board of directors of the General Partner considers appropriate, taking into account all relevant factors including the practice of owners of comparable properties;
- (e) To make the most effective use of all of Management’s time and skill set, a staged evaluation process will guide a proposed Hotel Property acquisition proposal through necessary approvals. The process to be followed in this respect will be as follows:
 - (i) 1st level analysis by a member of Management or by a party appointed by Management. Thereafter, if the Hotel Property acquisition proposal receives a positive response resulting from this review the next step will be followed;
 - (ii) A purchase investigation will then be conducted by Management or by a party appointed by Management on the acquisition target. This report will provide an opinion on the acquisition price range and other factors to consider regarding the target;
 - (iii) Assuming the result of purchase investigation in point (ii) is favorable with respect to the proposed acquisition of the target Property by the Trust, Management, or a party appointed by Management, will begin negotiations with the seller and create the agreements required for the initial stages of the proposed acquisition;
 - (iv) If Management is successful in the negotiations and initial stages of the proposed acquisition then Management, or by a party appointed by Management, will undertake a due diligence review of the target Property which will include ensuring compliance with current franchise requirements;
 - (v) If the target Property passes the due diligence review, then Management will obtain a full narrative appraisal from an a third party such as HVS Consulting and Valuation Services, Jones Lang Lassalle, Cushman Wakefield or Pannell Kerr Foster;

- (vi) Management will then review the above third party report. The proposal must then receive unanimous consent of Management before a Hotel Property acquisition will be made.

For the purpose of the foregoing investment restrictions and operating policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially-owned by the Trust or the Partnership will be deemed to be those of the Trust and the Partnership. In addition, any references in the foregoing operating policies to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

Operating Expenses of the Trust and Partnership

The Partnership will pay for all ordinary expenses (“operating and administration expenses”) incurred in connection with the operation and administration of the Trust. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications; any reasonable out-of-pocket expenses incurred by any of the Prestige Parties or their agents and paid to third parties in connection with their on-going obligations to the Trust; fees payable to the auditors and legal advisors of the Trust; regulatory filing fees, administrative expenses and costs incurred in connection with the continuous filing requirements of the Trust and investor relations, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses the Trust may incur and any expenditures incurred upon the termination of the Trust.

The Partnership will be responsible for the payment of ordinary course operating expenses relating to the acquisition and management of a hospitality based real estate portfolio. Certain operating expenses may be payable to certain Prestige Parties in connection with services they may provide to the Partnership and the Trust.

The aggregate amount of the operating and administration expenses referred to above is estimated to be approximately \$175,000 over the 12 months ensuing from the date of this Offering Memorandum if the Maximum Offering is raised and the Partnership fully deploys the maximum amount of working capital available to it in the acquisition of Properties. The fees and expenses are expected to be incurred annually based on the assumption above.

The total amount of administration and operating expenses that will be incurred by the Partnership and the Trust are dependent upon: (i) the funds raised under this Offering; (ii) the number and nature of Hotel Properties acquired by the Trust and Mezzanine Financing provided by the Trust; and (iii) external factors which cannot be anticipated or controlled by the Partnership or the Trust. As a result the Partnership and the Trust are unable to more accurately estimate these costs at this time other than as stated above.

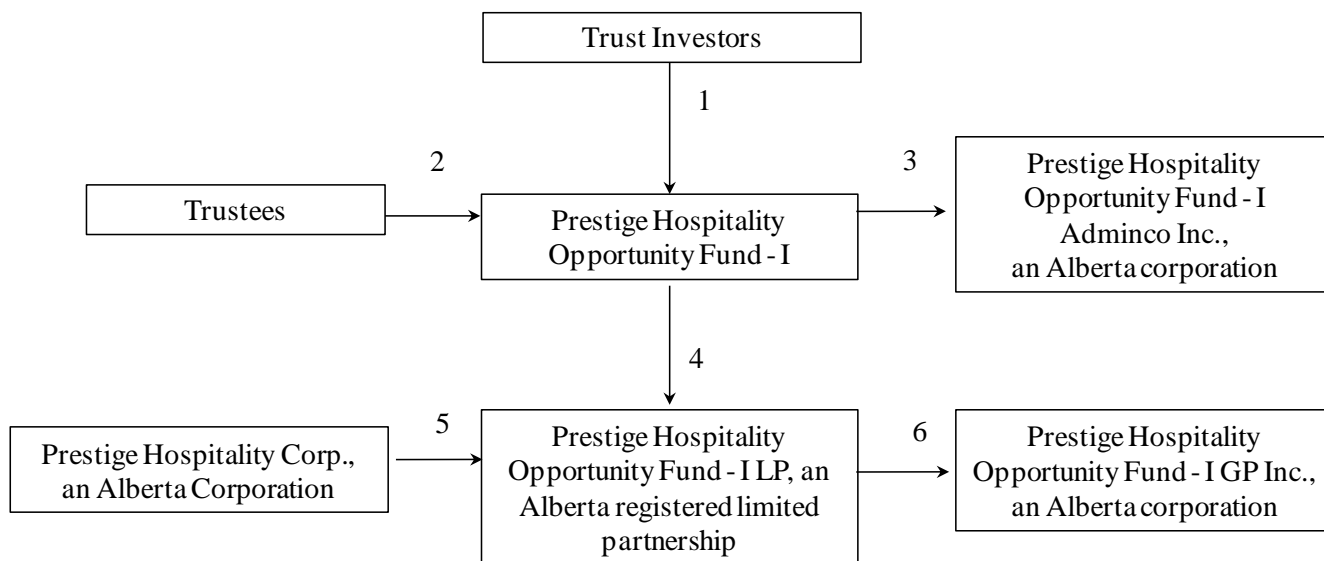
Re-allocation of Partnership Assets

The Partnership may allocate cash flows from the Partnership’s assets to alternative near-cash short-term investment vehicles until Properties for acquisition are identified or new Mezzanine Financing is provided by the Partnership to Mezzanine Borrowers.

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DESCRIPTION OF THE ACTIVITIES OF THE TRUST

The following is an illustration of the relationship between the Trust, the Partnership and the various parties related to the Partnership and the Trust.

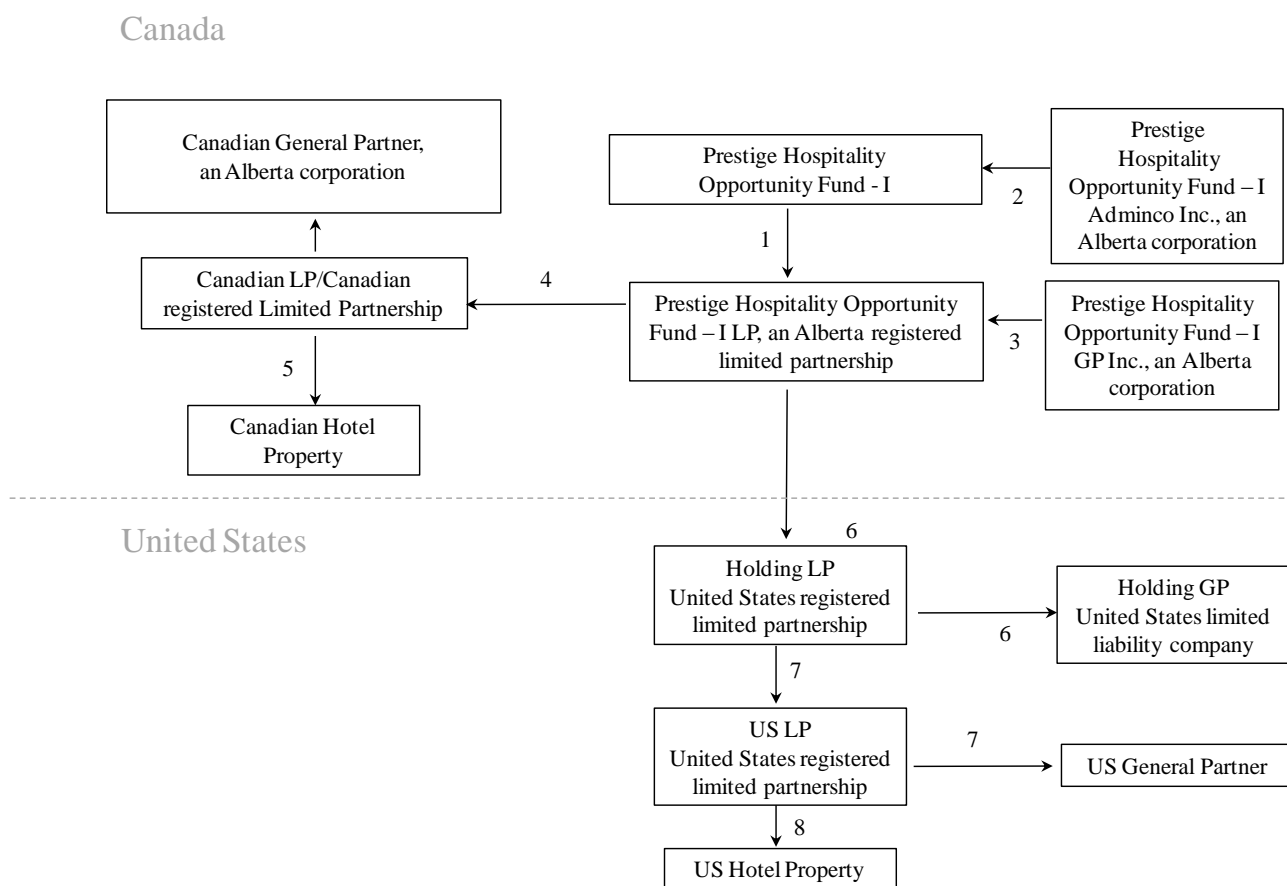


1. Investors purchase Units in the Trust.
2. Trustees manage the Trust.
3. Administration of the Trust is delegated by the Trustees to Adminco.
4. The Trust acquires Class B-G LP Units in the Partnership.
5. Hospitality holds 80% of all issued Class A LP Units in the Partnership and Potyondi holds the remaining 20%.
6. The Partnership is managed by its General Partner.

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DESCRIPTION OF HOTEL PROPERTY ACQUISITION STRUCTURE

The following is an illustration of the relationship between the Trust, the Partnership and the various Acquisition LP's and GP's that will be established upon the acquisition of a 100% interest in Hotel Properties by the Trust.



1. The Trust acquires Class B-G LP Units in the Partnership.
2. AdminCo manages the Trust.
3. The General Partner manages the Partnership.
4. When a 100% interest in a Hotel Property is to be acquired, the Partnership will establish a new Canadian registered limited partnership (the "Canadian Acquisition LP") and a newly formed general partner. The Canadian Acquisition LP will be wholly owned by the Partnership and the new general partner will be controlled by Hospitality.
5. The Canadian Acquisition LP will acquire the Hotel Property. A new Canadian Acquisition LP will be created for each Hotel Property acquired in Canada.
6. At the point in time where the Trust wishes to acquire a Hotel Property or Properties in the United States, a US acquisition structure will need to be established that will consist of a United States registered limited partnership (the "Holding LP") and its associated general partner. The Holding LP will be wholly owned by the Partnership. The general partner of the Holding LP will be controlled by Hospitality.
7. A new United States registered limited partnership (a "US Acquisition LP") will then be established which will be wholly owned by the Holding LP. A new general partner will also be established for this partnership which will be controlled by Hospitality.
8. The US Acquisition LP will acquire the US Hotel Property.

A new US Acquisition LP and general partner will be established for each Hotel Property acquired in the United States.

The Partnership will own 99.99% of the limited partnership interest in the Holding LP and in each of the Canadian registered Acquisition LP's. The remaining one hundredth of a percent (0.01%) interest in the above partnerships will be held by each partnership's respective Acquisition GP.

The Holding LP will hold a 99.99% interest in each US Acquisition LP. The remaining one hundredth of a percent (0.01%) interest in a United States registered Acquisition LP will be held by its Acquisition GP.

The Partnership will advance funds required for the acquisition of Hotel Properties to Canadian registered Acquisition LP's thorough partnership contributions. The Partnership and the Trust will advance funds required for the acquisition of Hotel Properties in the United States through a combination of loans and partnership contributions to the Holding LP, which will then further advance funds provided to it by the Partnership and the Trust to each United States registered Acquisition LP created to acquire a Property.

Where the Trust acquires a Hotel Property in conjunction with unrelated third party through a joint venture, partnership or other acquisition structure, the manner in which the Trust's interest in such a Hotel Property is held by the Trust will be subject to negotiation between the Trust and the third party with whom the Trust acquires the Hotel Property. The Partnership may advance funds with respect to the acquisition of a partial interest in a Hotel Property in accordance with the terms and conditions agreed between the Trust and its acquisition partner.

Trust Activity in the United States

If the Trust acquires Hotel Properties located in the United States, the Partnership will elect to be classified as a corporation for U.S. federal income tax purposes. Accordingly, the Partnership will be subject to applicable U.S. income and withholding taxes, as further described herein. The Partnership will satisfy its U.S. tax liability, or make sufficient reserves for its applicable U.S. taxes, prior to making distributions indirectly to the Trust. The Trust will distribute the after tax proceeds received from the Partnership to the Unitholders. A taxable Canadian resident Unitholder generally will be entitled to a credit in computing its Canadian taxable income in respect of the U.S. taxes paid by the Partnership to the extent permitted by the detailed rules in the Tax Act.

Where the Trust chooses to acquire Hotel Properties in the United States, the Trust will convert the subscription amounts received from the issuance of Units into USD. The revenues and expenses of the Hotel Properties will be denominated in USD and distributions will be made to the Trust in USD. The Trust will convert such distribution amounts received into Canadian dollars prior to distribution to Unitholders. As a consequence, distributions of the Trust may be affected by fluctuations in the Canadian/USD exchange rate.

The Trust does not intend to enter into any hedging arrangements to limit the impact of changes in the Canadian/USD exchange rate for holders of Units and therefore holders of Units will have full exposure to changes in the exchange rate between the Canadian and USD where the Trust acquires Hotel Properties in the United States. See Item 8 - "Risk Factors".

Sale of Properties

(i) Located in the United States

Upon the sale of a Hotel Property located in the United States, the net funds from that sale, after repayment of mortgage financing, real estate commissions, closing costs and United States income tax payable by the Holding LP, would be distributed as follows:

- i. In payment of all unpaid principal and interest due and owing to the Partnership and the Trust with respect to any loan made by the Partnership and the Trust to the Holding LP;
- ii. Return of the Contributed Capital made by the Partnership to the Holding LP;
- iii. A distribution to the general partner of the Holding LP of one hundredth of one percent (0.01%) of the funds remaining after the above payments and distributions; and
- iv. The remainder to the Partnership.

The Partnership will then distribute such funds to its Limited Partners in accordance with the terms and conditions of the Partnership Agreement. See Item 2.1.2 - "The Partnership - Distributable Cash of the Partnership".

(ii) Located in Canada

Net funds from the sale of a Hotel Property in Canada will be distributed to Hospitality as the holder of Class A LP Units and to the Trust as the holder of Class B-G LP Units in accordance with the terms of the Partnership Agreement. See Item 2.2.1 - "The Partnership - Distributable Cash of the Partnership".

Current Hotel Properties Under Contract

The Trust, through the Partnership, has entered into conditional purchase agreements with an unrelated third party to purchase an 85% undivided interest in two Hotel Properties, one Property located in the City of London (the "London Hotel" or "Hotel"), Ontario and the other Property located in the City of Waterloo, Ontario (the "Waterloo Hotel" or "Hotel").

Acquisition Terms of the London and Waterloo Hotels

Each of the London Hotel and Waterloo Hotel are presently owned by subsidiaries of Palm Holdings Canada Inc. (“Palm Holdings Canada”).

The Partnership has entered into a Purchase Agreement with respect to the acquisition of the London Hotel (the “London Purchase Agreement”) with Palm Holdings Canada, as beneficial owner, and Palm London Inc. (“PLI”), as bare trustee, dated December 4, 2015 (and amended January 21, 2016) and the Partnership has entered into a Purchase Agreement with respect to the acquisition of the Waterloo Hotel (the “Waterloo Purchase Agreement”) with St. Jacobs Country Inns Inc., (“Country Inns”) as legal and beneficial owner, dated December 4, 2015 (and amended January 21, 2016). See Item 2.2 – “Our Business – London Hotel Purchase Agreement” and See Item 2.2 – “Our Business – Waterloo Hotel Purchase Agreement”.

The intention with respect to the London and Waterloo Hotels is that the Partnership will acquire an 85% undivided joint interest in each Hotel, with Palm Holdings Canada owning the remaining 15% undivided joint venture interest in the London Hotel and County Inns owning the remaining 15% undivided joint venture interest in the Waterloo Hotel. The London Hotel will be owned by the Partnership and Palm Holdings Canada through a joint venture (the “London Hotel Joint Venture”) and the Waterloo Hotel will be owned by the Partnership and County Inns (the “Waterloo Hotel Joint Venture”). The London Hotel Joint Venture and the Waterloo Hotel Joint Venture shall be referred to herein collectively as the “Joint Ventures”. Each of the Joint Ventures will be governed by the terms of separate Joint Venture Agreements entered into with respect to each Hotel between the Partnership and Palm Holdings Canada with respect to the London Hotel (the “London Hotel Joint Venture Agreement”) and the Partnership and Country Inns with respect to the Waterloo Hotel (the “Waterloo Hotel Joint Venture Agreement”). See Item 2.2 – “Our Business – London Hotel Joint Venture Agreement” and See Item 2.2 – “Our Business – Waterloo Hotel Joint Venture Agreement”.

Legal title to the London Hotel and its assets will be held by PP London Hotel Ltd., a subsidiary of the Partnership and Palm Holdings Canada, as bare trustee for the benefit of the Partnership and Palm Holdings Canada.

Legal title to the Waterloo Hotel and its assets will be held by PP Waterloo Hotel Ltd., a subsidiary of the Partnership and Country Inns, as bare trustee for the benefit of the Partnership and Country Inns.

Each of the terms of the London Purchase Agreement and the Waterloo Purchase Agreement provide that each Purchase Agreement will be assigned by the Partnership to the respective Joint Venture to which the Purchase Agreement relates once the conditions to the Purchase Agreement have been waived or satisfied by the Partnership. See Item 2.2 – “Our Business – London Hotel Purchase Agreement” and See Item 2.2 – “Our Business – Waterloo Hotel Purchase Agreement”.

Purchase of the London Hotel is scheduled to close March 16, 2016.

Purchase of the Waterloo Hotel by the Partnership is scheduled to close on October 31, 2016.

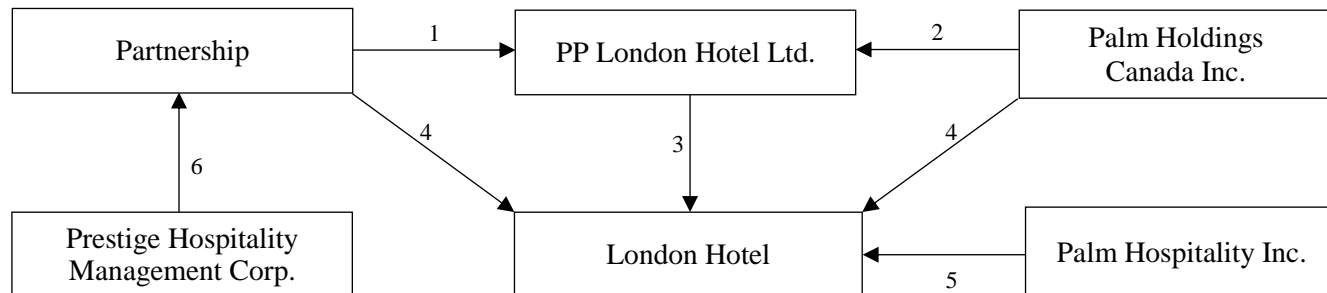
Each of the above closing dates may be extended upon mutual agreement between the Partnership and Palm Holdings Canada in respect of the London Hotel and the Partnership and Country Inns with respect to the Waterloo.

The acquisition of the 85% joint venture interest in each of the London and Waterloo Hotels by the Trust is subject to a number of conditions (the “Purchase Conditions”) provided for in each of the purchase agreements relating to the above Hotel Properties. See the headings “London Hotel Purchase Agreement” and “Waterloo Hotel Purchase Agreement” below. Subscribers should note that the Purchase Conditions with respect to the acquisition of either or both of the London and Waterloo Hotels may not be satisfied or waived by the Trust prior to the subscription for Units by a Subscriber. The Trust may choose not to or may not be able satisfy or waive the Purchase Conditions with respect to one or both of the London and Waterloo Hotels prior to the condition date provided for in the purchase agreement to which the Purchase Conditions relate. The Trust may not be able to satisfy the conditions of any Acquisition Financing required to complete the acquisition of the London and Waterloo Hotels. The Trust may not raise sufficient funds from this Offering in order to allow it to pay the Cash to Close with respect either or both of the London and Waterloo Hotels.

Subscribers should not invest in Units on the presumption that the Trust will be able to complete the acquisition of an 85% joint venture interest in either or both of the London and Waterloo Hotels.

LONDON HOTEL ORGANIZATION CHART

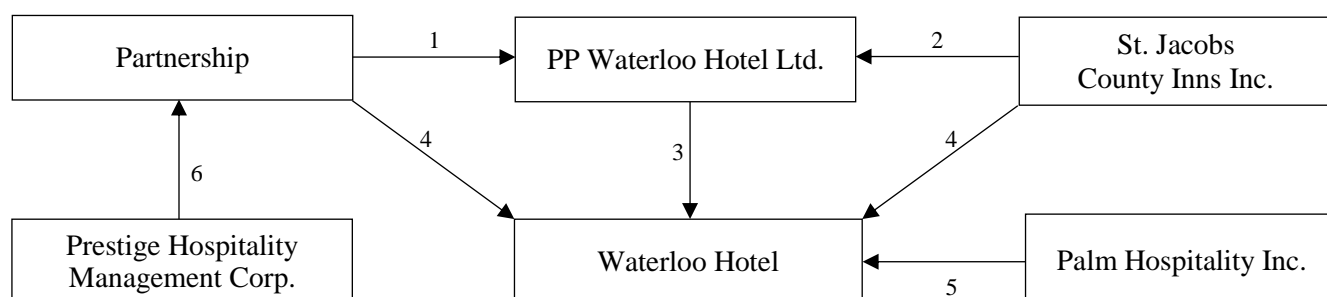
The following is a description of the relationship between the Partnership and Palm Holdings Canada with respect to the London Hotel upon acquisition of the Hotel by the London Hotel Joint Venture.



1. The Partnership owns 85% of the issued and outstanding shares in PP London Hotel Ltd.
2. Palm Holdings Canada Inc. owns 15% of the issued and outstanding shares in PP London Hotel Ltd.
3. PP London Hotel Ltd. is a bare trustee and holds title to the London Hotel, in trust, for the Partnership and Palm Holdings Canada Inc. pursuant to the terms of the London Hotel Joint Venture Agreement.
4. Pursuant to the terms of the London Hotel Joint Venture Agreement, the Partnership holds 85% beneficial interest in the London Hotel and Palm Holdings Canada Inc. holds the remaining 15% beneficial interest. See Item 2.2 – “Our Business – London Hotel Joint Venture Agreement”.
5. Palm Hospitality Inc. will manage the London Hotel on behalf of the Partnership and Palm Holdings Canada Inc. and will be paid a management fee pursuant to the terms of the London Hotel Management Agreement. See Item 2.2 – “Our Business – London Hotel Management Agreement”.
6. Prestige Hospitality Management Corp. will manage the Partnership’s Interest in the London Hotel and will be paid a management fee pursuant to the terms of the London/Waterloo Hospitality Management Agreement. See Item 2.2 – “Our Business – London/Waterloo Hospitality Management Agreement”.

WATERLOO HOTEL ORGANIZATION CHART

The following is a description of the relationship between the Partnership and County Inns with respect to the Waterloo Hotel upon acquisition of the Hotel by the Waterloo Hotel Joint Venture.



1. The Partnership owns 85% of the issued and outstanding shares in PP Waterloo Hotel Ltd.
2. Palm Holdings Canada Inc. owns 15% of the issued and outstanding shares in PP Waterloo Hotel Ltd.
3. PP Waterloo Hotel Ltd. is a bare trustee and holds title to the Waterloo Hotel, in trust, for the Partnership and Country Inns pursuant to the terms of the Waterloo Hotel Joint Venture Agreement.
4. Pursuant to the terms of the Waterloo Hotel Joint Venture Agreement, the Partnership holds 85% beneficial interest in the Waterloo Hotel and Country Inns holds the remaining 15% beneficial interest. See Item 2.2 – “Our Business – Waterloo Hotel Joint Venture Agreement”.
5. Palm Hospitality Inc. will manage the Waterloo Hotel on behalf of the Partnership and Palm Holdings Canada Inc. and will be paid a management fee pursuant to the terms of the Waterloo Hotel Management Agreement. See Item 2.2 – “Our Business – Waterloo Hotel Management Agreement”.
6. Prestige Hospitality Management Corp. will manage the Partnership’s Interest in the Waterloo Hotel and will be paid a management fee pursuant to the terms of the London/Waterloo Hospitality Management Agreement. See Item 2.2 – “Our Business – London/Waterloo Hospitality Management Agreement”.

The London Hotel

The following is a summary of the London Hotel:

| Component | Description |
|----------------------------|--|
| Franchise | Marriott International - TownePlace Suites by Marriott |
| Address | 800 Exeter Road, London, Ontario |
| Guestrooms | 126 guest suites with separate living and sleeping areas, furnished with a fully equipped kitchen |
| Year Built | 1986; \$6.5 million dollar renovation in 2015 to convert from a Travelodge to a TownePlace Suites by Marriott |
| Meeting Space | 960 square feet of flexible meeting space across two meeting rooms |
| Food & Beverage | Complimentary breakfast buffet |
| Parking | Complimentary on-site parking across 158 surface spaces |
| Other Amenities | <ul style="list-style-type: none">• Fitness center• Business center• Sundry/convenience store• On-site laundry service• Complimentary high-speed wireless Internet access• Outdoor patio space and seating, access to BBQ grill |

Location

The London Hotel features a highly visible location as it is situated directly off Highway 401 and 402, less than ten kilometres from downtown London. The Hotel's location positions it near some of the submarket's main leisure demand drivers, including White Oaks Shopping Centre, with over 175 retail stores and entertainment outlets; Budweiser Gardens, a sports and entertainment centre that accommodates over 9,000 attendees for hockey events and over 10,000 for concerts and other live shows; and Western Fair Raceway & Slots, featuring over 750 various slot machines. The Hotel is also in close proximity to strong corporate demand, including 3M, London Health Sciences Centre, Libro Credit Union and Cami Automotive. Anchored by the medical healthcare sector, the London market has experienced a strengthening in its diverse economy evidenced by its insurance, manufacturing and information technology sectors.

Excess Land

The Hotel site has excess land with potential for future expansion opportunities including the addition of rooms, pool or parking spaces.

Brand Affiliation

The London Hotel significantly benefits from its affiliation with Marriott International, harnessing Marriott's wide distribution network, strong reservations system and the Marriott Rewards program. With over 4,200 hotels in 79 countries and territories, Marriott International is one of the largest hospitality companies in the world, and has announced the acquisition of the Starwood brands which, if completed, will significantly add to its asset base

As well, over 49 million members worldwide participate in the renowned Marriott Rewards program.

Franchise Agreement

The London Hotel is currently operating under a Franchise License Agreement with Marriott International. It is a condition of the London Hotel Purchase Agreement that the current Franchise License Agreement is either assigned or transferred to the Partnership or a new Franchise License Agreement (the "London Hotel Franchise License Agreement") is entered into between Marriott International and the Partnership. This condition has not been satisfied by the Partnership. As such the Partnership is unable to disclose the material terms of the London Hotel Franchise License Agreement at this time.

London Hotel Appraisal

The Trust, has obtained an appraisal report (the "London Appraisal") dated December 18, 2015 with respect to the London Hotel from Cushman & Wakefield Ltd. The London Appraisal was prepared in compliance with the *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP) and the Code of Ethics and Certification Standards of the Appraisal Institute of Canada.

The following is an excerpt from the Appraisal. Reference to “we” below is to Cushman & Wakefield Ltd.

Value Conclusion

| Appraisal Premise | Real Property Interest | Date of Value | Value Conclusion | Per Room |
|--------------------------|-------------------------------|----------------------|-------------------------|-----------------|
| Current Market Value | Fee Simple | November 30, 2015 | \$16,000,000 | \$127,000 |

The opinions of value include the land, the improvements thereto, and the contributory value of the furniture, fixtures and equipment. The appraisers assume that the hotel will be, and shall remain, open and operational. The analysis contained in this appraisal is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to the future behaviour of consumers and the general economy, which are highly uncertain. However, it is inevitable that some assumptions will not materialize and unanticipated events may occur that will cause actual achieved operating results to differ from the financial analyses contained in this report and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience and the data available, we make no warranty that the conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management and we are not responsible for future marketing efforts and other management actions upon which actual results may depend.

We did not ascertain the legal, engineering, and regulatory requirements applicable to the property, including provincial and local government regulations, permits and licenses. No effort has been made to determine the possible impact on the property of present or future federal, provincial or local legislation, including any environmental or ecological matters or interpretations thereof. With respect to the market demand analysis, our work did not include analysis of the potential impact of any significant rise or decline in local or general economic conditions.

We believe, based on the assumptions employed in our cash flow, as well as our selection of investment parameters for the subject, that the value conclusion represents a market price achievable within 6 to 12 months exposure prior to the date of value.

We take no responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the last day of our fieldwork, November 30, 2015.

Subscribers should note that the stated market value of the London Hotel is an estimate only. The amount that a selling party might actually receive if the London Hotel were sold may vary materially from this value because the value of a hotel is inherently volatile and is subject to numerous market conditions.

London Hotel Purchase Agreement

The following is a summary of the materials terms of the London Hotel Purchase Agreement. This summary is subject to the full terms of the London Hotel Purchase Agreement.

Reference below to “Buyer” is to the Partnership. Reference below to “Seller” is collectively to Palm Holdings Canada and PLI. All other capitalized terms below shall have the same meanings as ascribed to them in the London Hotel Purchase Agreement.

Subscribers should note that this Purchase Agreement will be assigned by the Partnership to the London Hotel Joint Venture upon satisfaction or waiver of each of the “Buyer’s Conditions” set forth below. The Partnership will be obligated to contribute 85% (\$12,325,000) of the Purchase Price to the London Hotel Joint Venture and Palm Holdings Canada will contribute the remaining 15% (\$2,175,000).

Due Diligence Period, Due Diligence Date: The Buyer’s due diligence period will commence on the date that is the first Business Day after December 4, 2015 and shall end on February 8, 2016 (“Due Diligence Period”), subject to a 30 day extension of the Due Diligence Period by the Buyer or the Seller in the event that the franchisor approval has not been obtained, but the application therefore has been submitted. The date that the Due Diligence Period expires is hereby referred to as the “Due Diligence Date”.

Closing Date: The transactions contemplated by this Agreement will be completed by 5:00 pm on March 16, 2016 or if such date is not a Business Day, then on the next Business Day, or such earlier date as may be mutually agreed to in writing by both the Buyer and the Seller.

Joint Venture and Management: The Buyer and Seller shall enter into a Joint Venture and Management Agreement in a form acceptable to both parties, which agreement shall govern the Hotel venture as between them and the management of the Hotel.

Purchase Price: The purchase price payable by the Buyer to the Seller for the lands and premises on which the London Hotel is located together with the business of the Hotel as a going concern (the "Purchased Assets") shall be \$14,500,000.00, subject to the usual adjustments for a transaction of this kind and such adjustments as are set out in the Purchase Agreement.

Deposits: \$750,000 in the aggregate. \$375,000 has been paid by the Partnership and an additional \$375,000 is to be paid on or before January 21, 2016 on the condition that the Partnership waives its conditions to the purchase of the London Hotel. If the Buyer fails to complete this transaction as a result of the breach by the Buyer of any of its obligations in this Agreement, the Deposit together with interest thereon (if any) may be retained by the Seller as liquidated damages as full and final satisfaction of all claims of the Seller against the Buyer. If the Buyer fails to complete this transaction for any other reason the Deposit and interest thereon shall be immediately returned to the Buyer with accrued interest (if any) and without deduction or setoff.

Vendor Financing: \$2,500,000 at an interest rate of 9.5% per annum, \$500,000 payable on March 31, 2016 and \$2,000,000 on October 31, 2016. 85% of this loan shall be guaranteed by the General Partner. This loan may be pre-paid without penalty. The loan will be secured by mortgage and general security agreement subordinate to acquisition financing security.

Acquisition Financing: Mortgage in the maximum amount of \$8,700,000.

Cash to Close: \$14,500,000 (Purchase Price) - \$2,500,000 (Vendor Financing) - \$8,700,000 (Acquisition Financing) = \$3,300,000. Pursuant to the terms of the London Hotel Joint Venture Agreement the Trust will be obligated to advance the sum of \$2,805,000 (85% of the Cash to Close) to the London Hotel Joint Venture. By the Closing Date the Trust will have advanced \$750,000 through the payment of the deposits referenced above leaving a further amount to be advanced by the Trust on the Closing Date of \$2,105,000. The Trust intends to pay this sum from a combination of cash on hand, funds raised under this Offering and/or from short term loans that may be advanced by the Principals to the Trust which shall be repaid from the proceeds of this Offering or future offering of Units by the Trust.

"As Is": Except as specifically set out in this Agreement in writing or any document delivered on Closing: The Buyer acknowledges and agrees that the Purchased Assets are being sold and purchased on an "as-is, where-is" basis at the Buyer's own risk and peril without any representation or warranty of any nature whatsoever, express or implied, save and except for the specific representations set out in this Agreement.

Buyer's Conditions. The London Hotel Purchase Agreement is conditional as set out below upon the following conditions precedent in favour of the Buyer. The Partnership intends to waive all of the Conditions below other than the Franchise Condition by February 8, 2016.

Until the Due Diligence Date on the Buyer arranging for the existing franchisor for the Hotel to approve the change of ownership herein provided for, in a form and on terms satisfactory to the Buyer in its sole and absolute discretion (the "Franchise Conditions").

Until the Due Diligence Date on the Buyer conducting such property, building, structural, soil, engineering, environmental and other inspections of the Purchased Assets, including the building systems, equipment and chattels described in the Purchased Assets, and satisfying itself in its sole discretion that the building and its contents can be repaired, renovated or improved to standards satisfactory to the Buyer in its absolute discretion within a time frame and for a cost satisfactory to the Buyer in its absolute discretion.

Until the Due Diligence Date on the Buyer carrying out or reviewing and being satisfied with such environmental studies as the Buyer may require at its expense.

The Buyer arranging satisfactory financing to enable it to complete the transaction on terms satisfactory to the Buyer in its sole and absolute discretion.

Until the Due Diligence Date, on the Buyer being satisfied that it will be able to have the Liquor License transferred to the Buyer following Closing on terms and conditions satisfactory to the Buyer in its sole and absolute discretion.

If any of the Closing conditions shall not have been fulfilled or waived by the Buyer on or before Closing the Buyer may terminate this Agreement by notice in writing to the Seller in which event the Deposit shall be immediately returned to the Buyer with interest, if applicable, and the Buyer and the Seller shall be released from all obligations under this Agreement.

Acquisition Financing: The Trust anticipates that will obtain a loan to a maximum amount of \$8,700,000 to fund the cash to close with respect to the acquisition of the London Hotel.

The Trust has entered into a non-binding letter of intent (the “London Financing LOI”) with respect to an unrelated lender (the “Lender”). The London Financing LOI is subject to satisfaction of a number of conditions by the Trust. There is no guarantee that the Trust will be able to or chose to satisfy these conditions or that the Lender will ultimately choose to extend a loan to the Trust.

The London Financing LOI includes the following terms:

Reference to “Borrower” below is the parties to the London Hotel Joint Venture Agreement.

Principal amount of the Loan - \$8,700,000.

The Borrower shall repay the loan on demand. Prior to demand by the Lender, the loan shall be payable as follows:

First 24 months: Repayable with monthly accrued interest payments due on the 1st each month, principal to be repaid in full within 24 months of first advance.

First 24 months: The interest rate will float at the greater of Royal Bank Prime Rate +1.50% and 4.20% per annum.

During the interest only period, the Borrower may, if not in default, prepay the entire balance secured by the mortgage upon payment of the following:

- i) If prepaid within 12 months of the initial funding, the Lender will be entitled to receive a lump sum payment equivalent to 12 months interest on \$ 8,700,000 less prior interest payments already collected.
- ii) The loan will be open for prepayment, without penalty, in months 13 to 24.
- iii) The Lender is to be notified a minimum of 45 days prior to payout of the loan.

Amortization will be a maximum 20 years exclusive of the 24 month interest only period.

The Waterloo Hotel

The following is a summary of the Waterloo Hotel:

Property Overview

| Component | Description |
|----------------------------|---|
| Franchise | Marriott International - Courtyard (Marriot) |
| Address | 50 Benjamin Road East, Waterloo, Ontario |
| Guestrooms | 118 guestrooms |
| Year Built | 1998; \$3.9 million (\$33,000 per key) in renovations in 2012 to convert from a Best Western to a Courtyard (Marriot) |
| Meeting Space | 1,300 square feet of flexible meeting space across four meeting rooms |
| Food & Beverage | <i>The Bistro:</i> open daily for breakfast and dinner, with a variety of beer and wine options in the evening |
| Parking | Complimentary on-site parking across 119 surface spaces |
| Other Amenities | <ul style="list-style-type: none"> • Oversized fitness centre • Business center • Sundry/convenience store • On-site guest laundry service • Complimentary high-speed wireless Internet access |

Location

The Waterloo Hotel features a highly visible location as it is situated directly off of the Conestoga Parkway which interchanges with Highway 401, a major arterial roadway in the region. Waterloo is located within the extended Golden Horseshoe Area, which is made up of 9 metropolitan areas including Toronto and has a total population over 8.7 million. The Waterloo Hotel’s ideal location positions it near some of the submarket’s main leisure demand drivers, including the 500-acre RIM Park; St. Jacobs Farmer’s Market; Conestoga Mall; and

Drayton's Country Playhouse and Schoolhouse Theatre, live theatre venues by Drayton Entertainment. The Hotel is also in close proximity to strong corporate demand, including Blackberry, MapleSoft and OpenText Corporation corporate headquarters, all located within a 4.5-kilometre radius of the Hotel. With an economy rooted in knowledge and service-based industries, Waterloo is home to over 400 high-tech companies.

Brand Affiliation

The Waterloo Hotel greatly benefits from its affiliation with Marriott International, harnessing Marriott's wide distribution network, strong reservations system and the Marriott Rewards program. With over 4,200 hotels in 79 countries and territories, Marriott International is one of the largest hospitality companies in the world, and has recently announced the acquisition of the Starwood suite of brands which, if completed, will significantly increase the number in its asset base

As well, over 49 million members worldwide participate in the renowned Marriott Rewards program.

Franchise Agreement

The Waterloo Hotel is currently operating under a Franchise License Agreement with Marriott International.

It is a condition of the Waterloo Hotel Purchase Agreement that the current Franchise License Agreement is either assigned or transferred to the Partnership or a new Franchise License Agreement (the "Waterloo Hotel Franchise License Agreement") is entered into between Marriott International and the Partnership. This condition has not been satisfied by the Partnership. As such the Partnership is unable to disclose the material terms of the Waterloo Hotel Franchise License Agreement at this time.

Waterloo Hotel Appraisal

The Trust, has obtained an appraisal report (the "Waterloo Appraisal") dated December 18, 2015 with respect to the Waterloo Hotel from Cushman & Wakefield Ltd. The Waterloo Appraisal was prepared in compliance with the *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP) and the Code of Ethics and Certification Standards of the Appraisal Institute of Canada.

The following is an excerpt from the Appraisal. Reference to "we" below is to Cushman & Wakefield Ltd.

Value Conclusion

| <i>Appraisal Premise</i> | <i>Real Property Interest</i> | <i>Date of Value</i> | <i>Value Conclusion</i> | <i>Per Room</i> |
|---------------------------------|--------------------------------------|-----------------------------|--------------------------------|------------------------|
| <i>Current Market Value</i> | <i>Fee Simple</i> | <i>November 30, 2015</i> | <i>\$18,500,000</i> | <i>\$157,000</i> |

The opinions of value include the land, the improvements thereto, and the contributory value of the furniture, fixtures and equipment. The appraisers assume that the hotel will be, and shall remain, open and operational. The analysis contained in this appraisal is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to the future behaviour of consumers and the general economy, which are highly uncertain. However, it is inevitable that some assumptions will not materialize and unanticipated events may occur that will cause actual achieved operating results to differ from the financial analyses contained in this report and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience and the data available, we make no warranty that the conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management and we are not responsible for future marketing efforts and other management actions upon which actual results may depend.

We did not ascertain the legal, engineering, and regulatory requirements applicable to the property, including provincial and local government regulations, permits and licenses. No effort has been made to determine the possible impact on the property of present or future federal, provincial or local legislation, including any environmental or ecological matters or interpretations thereof. With respect to the market demand analysis, our work did not include analysis of the potential impact of any significant rise or decline in local or general economic conditions.

We believe, based on the assumptions employed in our cash flow, as well as our selection of investment parameters for the subject, that the value conclusion represents a market price achievable within 6 to 12 months exposure prior to the date of value.

We take no responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the last day of our fieldwork, November 30, 2015.

Subscribers should not that the stated market value of the Waterloo Hotel is an estimate only. The amount that a selling party might actually receive if the Waterloo Hotel were sold may vary materially from this value because the value of a hotel is inherently volatile and is subject to numerous market conditions.

Waterloo Hotel Purchase Agreement

The following is a summary of the materials terms of the Waterloo Hotel Purchase Agreement. This summary is subject to the full terms of the Waterloo Hotel Purchase Agreement.

Reference below to “Buyer” is to the Partnership. Reference below to “Seller” is to Country Inns. All other capitalized terms below shall have the same meanings as ascribed to them in the Waterloo Hotel Purchase Agreement. Other than as set forth below the materials terms of this Purchase Agreement are the same as found in the London Hotel Purchase Agreement. See Item 2.2 – “Our Business –London Hotel Purchase Agreement”.

Subscribers should note that this Purchase Agreement will be assigned by the Partnership to the Waterloo Hotel Joint Venture upon satisfaction or waiver of each of the “Buyer’s Conditions” set forth below. The Partnership will be obligated to contribute 85% (\$14,450,000) of the Purchase Price to the Waterloo Hotel Joint Venture and Palm Holdings Canada will contribute the remaining 15% (\$2,550,000).

Due Diligence Period, Due Diligence Date: Terms are the same as provided for in the London Hotel Purchase Agreement as disclosed above.

Closing Date: The transactions contemplated by this Agreement will be completed by 5:00 pm on October 31, 2016 or if such date is not a Business Day, then on the next Business Day, or such earlier date as may be mutually agreed to in writing by both the Buyer and the Seller.

Joint Venture and Management: Terms are the same as provided for in the London Hotel Purchase Agreement as disclosed above.

Purchase Price: The purchase price payable by the Buyer to the Seller for the lands and premises on which the Waterloo Hotel is located together with the business of the Hotel as a going concern (the “Purchased Assets”) shall be \$17,000,000.00, subject to the usual adjustments for a transaction of this kind and such adjustments as are set out in the Purchase Agreement.

Deposits: \$500,000 has been advanced by the Partnership as of the date of this Offering Memorandum. In the event that due diligence conditions have been waived by the Buyer, further deposits are to be paid by the Buyer as follows: (i) \$500,000 to be paid on the second business day after waiver of conditions, (ii) \$1,000,000 on May 30, 2016, (iii) \$1,000,000 on July 29, 2016; and (iv) \$1,000,000 on September 30, 2016. If the Buyer fails to complete this transaction as a result of the breach by the Buyer of any of its obligations in this Agreement, the Deposit together with interest thereon (if any) may be retained by the Seller as liquidated damages as full and final satisfaction of all claims of the Seller against the Buyer. If the Buyer fails to complete this transaction as a result of the breach by the Buyer of any of its obligations in this Agreement, the Deposit together with interest thereon (if any) may be retained by the Seller as liquidated damages as full and final satisfaction of all claims of the Seller against the Buyer. If the Buyer fails to complete this transaction for any other reason the Deposit and interest thereon shall be immediately returned to the Buyer with accrued interest (if any) and without deduction or setoff.

Cash to Close: \$17,000,000 (Purchase Price) less \$11,195,000 (estimated acquisition financing) = \$5,805,000 (estimated). Pursuant to the terms of the Waterloo Hotel Joint Venture Agreement the Trust will be obligated to advance the sum of \$4,934,250 (85% of the Cash to Close) to the Waterloo Hotel Joint Venture. By the Closing Date the Trust will have advanced \$4,000,000 through the payment of the deposits referenced above leaving an additional \$934,250 to be advanced by the Trust on the Closing Date. The Trust intends to pay the deposits from funds raised under this Offering and/or from short term loans that may be advanced by the Principals to the Trust which shall be repaid from the proceeds of this Offering or future offering of Units by the Trust.

“As Is”: Terms are the same as provided for in the London Hotel Purchase Agreement as disclosed above.

Buyer's Conditions. Terms are the same as provided for in the London Hotel Purchase Agreement as disclosed above. The Partnership intends to waive all Buyer's Conditions other than the Franchise Condition by February 8, 2016.

Acquisition Financing:

The Trust anticipates that will obtain a loan to a maximum amount of \$13,125,000 to fund the cash to close with respect to the acquisition of the Waterloo Hotel.

The Trust has entered into a non-binding letter of intent (the "Waterloo Financing LOI") with respect to an unrelated lender (the "Lender"). The Waterloo Financing LOI is subject to satisfaction of a number of conditions by the Trust. There is no guarantee that the Trust will be able to or chose to satisfy these conditions or that the Lender will ultimately choose to extend a loan to the Trust.

The Waterloo Financing LOI includes the following terms:

Reference to "Borrower" below is the parties to the Waterloo Hotel Joint Venture Agreement.

Principal amount of the Loan - \$11,195,000.

Interest shall be as follows:

The Lender's Floating Base Rate plus 2.75% per annum, with no interest-only payments, should the Borrower open up day-to-day operating accounts with an account with an approved bank.

The Lender's Floating Base Rate plus 3.25% % per annum, with no interest-only payments, should the Borrower choose not to open up day-to-day operating accounts with an approved bank.

The Lender's Floating Base Rate plus 3.00% per annum, with first year interest-only payments, should the Borrower open up day-to-day operating accounts with an approved bank.

The Lender's Floating Base Rate on January 21, 2016, was 1.35%.

Interest is calculated and payable monthly.

Prepayment:

If the interest rate is floating, and funds are internally generated from normal operations, prepayment is permitted upon payments of 3 months' interest or 3% of the principal amount prepaid, whichever is greater. If the funds are from any other source, then the prepayment penalty shall be 6 months' interest on the principal amount prepaid, or 6% of the principal amount, whichever is greater.

Notwithstanding the above, 10% of the outstanding balance can be prepaid annually without penalty (non-cumulative and only available on floating rate loans).

Minimum Debt Service Coverage Ratio of 1.30:1 Calculated on a rolling four quarter basis and tested quarterly. Debt Service Coverage Ratio is defined as the ratio obtained by dividing [A] EBITDA plus management fees less normalized management fees at 3.5% of revenue less normalized FF&E reserve* by [B] current portion of long term debt plus interest on long term debt.

Normalized FF&E reserve is to be calculated as 4% of revenue, or as stated in the Franchise Agreement, whichever is greater.

EBITDA shall mean, for any given period, the net income of the person concerned (adjusted upwards or downwards, depending on the case, so as not to include extraordinary or non-recurring items and minority interest) plus (insofar as they were deducted in the calculation of net income) (i) income taxes, (ii) interest expenses, and (iii) amortization and depreciation expenses.

London Hotel Joint Venture Agreement

Pursuant to the terms of the London Hotel Purchase Agreement, the Partnership and Palm Holdings Canada, together with PP London Hotel Ltd. (the "Operator") as operator, have entered into the London Hotel Joint Venture Agreement dated December 14, 2015

The Operator is a wholly owned subsidiary of Palm Holdings Canada and the Partnership. The Operator will be a bare trustee of the London Hotel Joint Venture Agreement and the London Hotel operator holding the property relating to the Hotel and operating the London Hotel business in trust for the beneficial owners thereof, being Palm Holdings Canada and the Partnership on a joint venture basis.

The following is a summary of the material terms of the London Hotel Joint Venture Agreement and is subject to the full terms of that Agreement.

Reference below to “Prestige” is to the Partnership. Reference to Co-Venturers is collectively to the Partnership and Palm Holdings Canada. All other capitalized terms below shall have the same meanings as ascribed to them in the London Hotel Joint Venture Agreement.

Reference below to “this Agreement” is to the London Hotel Joint Venture Agreement.

Implementation of Organization Plan and Acquisition of Hotel

The Joint Venture has been formed for the purpose of acquiring, renovating and operating the Hotel; with such implementation to include the ownership of all the shares of the Operator and thereafter to provide such ongoing supervisory approvals and authorizations necessary to ensure that the Co-Venturers retain a manager pursuant to a Management Agreement being executed contemporaneously with the acquisition of the Hotel (the “**Management Agreement**”) and to take such steps to supervise the management of the Hotel’s renovations and operations and to take such other actions as are necessary or desirable, to ensure that the Hotel is operated as a business subject to the limitations set out in the London Hotel Joint Venture Agreement (the “**Hotel Business**”).

Joint Venture – Percentage Shares

The Co-Venturers shall hold their respective interests in the Joint Venture in the percentages set out below (sometimes called the “**Percentage Share**” or “**Percentage Shares**”), subject to change only as expressly set out in London Hotel Joint Venture Agreement or approved by unanimous resolution, in writing:

| Co-Venturer | Initial Percentage Share |
|--------------------|---------------------------------|
| Palm Holdings | 15% |
| Partnership | 85% |
| Operator | 0% |
| Total | 100% |

Management Committee

Subject to any decisions contained in London Hotel Joint Venture Agreement requiring approval of the Co-Venturers, the overall management and control of the affairs of the Joint Venture shall be vested in the Management Committee, consisting of two appointees by Prestige and two appointees of Palm Holdings (“**Nominees**”); who shall also serve as the directors of the Operator.

The Management Committee shall have full power and authority to transact or cause the Operator, as agent and bare trustee for the Co-Venturers, to enter into agreements for the ongoing operation and redevelopment of the Hotel and supervise the operation of the Hotel on behalf of the Joint Venture, and for those purposes, the Management Committee shall have the sole, complete and plenary power and authority to manage and carry on the business thereof and to do any and all acts and things required in connection therewith.

The orderly administration of the Joint Venture will be undertaken in accordance with the terms of London Hotel Joint Venture Agreement and, except for decisions which require approval of the Co-Venturers by way of Special Resolution the Management Committee shall:

- (a) provide financial supervision of the Joint Venture;
- (b) be authorized to execute or cause the Operator to execute on behalf of the Joint Venture all agreements required to be executed on behalf of the Joint Venture;
- (c) meet as required to review the operations of the Hotel, to guide its redevelopment and operation and to provide the necessary approvals anticipated herein; and
- (d) delegate the management of the Hotel and the Hotel Business to a management company under a management agreement with the Operator and the Joint Venture approved by the Co-Venturers representing a 86% Joint Venture interest (the “**Manager**”) and shall cause the Operator to supervise the Manager in its management of the Hotel pursuant to such management agreement and for the purposes hereof Palm Hospitality Inc. or its affiliates are hereby approved as the initial Manager of the Hotel and the Joint Venture pursuant to the terms of the Management Agreement; provided that, in the event that the Manager has either directly or indirectly terminated the Management Agreement, the appointment of a replacement manager shall be approved by the Co-Venturers representing a 80% Joint Venture interest and in all other instances the termination of a Manager and the appointment of a replacement Manager shall be approved by the Co-Venturers representing a 86% Joint Venture interest.

No fee, salary, bonus or other remuneration shall be paid to any member of the Management Committee in consideration for serving as a member of that committee.

Restrictions on Transfer of Interests in the Joint Venture

The Co-Venturers agree that they will not (i) directly or indirectly sell, assign, transfer, pledge, mortgage, charge, create a security interest in, hypothecate or otherwise dispose of, encumber or deal with the whole or any part of their respective interest in the Joint Venture or its Property or agree to do any such thing, or (ii) implement a direct or indirect of effective change in control of any Co-Venturer or agree to do any such thing, without (iii) the prior written consent of a majority of the other Co-Venturers as represented by Percentage Share on notice to all Co-Venturers, which consent may be unreasonably withheld or delayed, or (iv) as otherwise expressly permitted under London Hotel Joint Venture Agreement.

Capital Accounts and Initial Capital Contribution

The Co-Venturer will maintain a contributed capital account for each Co-Venturer. The initial capital to be contributed to the Joint Venture by the Co-Venturers is \$14,500,000 in lawful Canadian currency (“**Initial Capital**”), which will be paid in the respective Percentage Share by each Co-Venturer to the Joint Venture as and when called on by the Hotel Manager to do so on two weeks prior written notice (“**Capital Call**”); provided all Capital Calls shall be issued pro rata per Percentage Share at the same time. Failure to advance a Capital Call shall be subject to the provisions of the Section “*Failure to Contribute*” below.

Additional Contributions & Percentage Share Adjustments where approved by Resolution of Co-Venturers

Except in respect of any capital requirements of the Joint Venture: (i) as required under the Management Agreement; (ii) as required under the Franchise Agreement; and (iii) as agreed to between the parties, no Co-Venturer shall be obligated to contribute additional capital to the Joint Venture other than as provided for in this Article. Failure to advance a Capital Call shall be subject to the provisions of the Section “*Failure to Contribute*” below.

Financing

At all times subject to the Sections *Capital Accounts and Initial Capital Contribution and Additional Contributions & Percentage Share Adjustments where approved by Resolution of Co-Venturers* above, initial and ongoing financing for the Hotel Business, including project budget and expenses shall be subject to approval by Co-Venturers representing 86% of the total Percentage Share in the Joint Venture and thereafter will be supplied or arranged by the Co-Venturers as follows:

- (a) By each Co-Venturer making its Initial Capital contribution and additional capital contributions as required by the Sections *Capital Accounts and Initial Capital Contribution and Additional Contributions & Percentage Share Adjustments where approved by Resolution of Co-Venturers* above;
- (b) All further financing shall be arranged from time to time on such terms as the Co-Venturers agree to as approved by Co-Venturers representing 86% of the total Percentage Share in the Joint Venture;

Profits and Losses:

- (a) Profits and losses of the Joint Venture will be shared by and allocated to the Co-Venturers in accordance with their Percentage Share, reconciled and paid as often as possible as determined by Co-Venturers representing a 80% Percentage Share, acting reasonably and in the best interest of the Co-Venture, in the Joint Venture in the aggregate, but subject to such reserves as the Co-Venturers representing a 80% Percentage Share in the Joint Venture in the aggregate may require and subject to the Reserve Fund provided for in the heading “*Reserve Fund and Capital Expenditures*” below.
- (b) Subject to the Section “*Return of Capital*” below, all returns from operations and or capital shall be in the form of a return of contributed capital, until the original contributed capital amount is returned.

Reserve Fund and Capital Expenditures

The Co-Venturers agree that 4% of the gross revenues of the Hotel Business will be set aside each year for capital expenditures and improvements, and that any portion of such fund which is not used in the year in question will be set aside in a capital improvement fund (“**Reserve Fund**”) which will accumulate throughout the term of this Joint Venture and which may be utilized from time to time by the Co-Venturers for capital improvements to the Joint Venture assets, or distributed to the Co-Venturers as surplus funds, as approved by Co-Venturers representing a 80% Percentage Share in the Joint Venture in the aggregate. For Hotels redeveloped in the last 5 years, the amount to be put in the Reserve Fund will be the greater of the brand requirement or as follows:

After Redevelopment:

- (i) Year 1: 0%
- (ii) Year 2: 1%
- (iii) Year 3: 2%
- (iv) Year 4: 3%
- (v) Year 5: 4%
- (vi) Or such % as required by Brand/lenders

Except as delegated to the Manager in the Management Agreement (if at all), all capital expenditures require the prior approval of Co-Venturers holding at least 86% of the total Percentage Share in the Joint Venture.

Failure to Contribute

If a Co-Venturer defaults in complying with a Capital Call that has been approved under the London Hotel Joint Venture Agreement, or otherwise fails to comply with its financial obligations under this Agreement, the other Co-Venturers or any one or any combination of them may make the cash contribution or fulfil the financial commitment on behalf of the defaulting Co-Venturer at any time that such default continues (“**Excess Contribution**”), in which case the following provisions shall apply to such Excess Contribution:

The Excess Contribution shall be a preferred loan ranking ahead of all other Co-Venturer contributions and secured by a mortgage and general security agreement on the Hotel and all other Joint Venture assets, bearing interest at a rate of 9% per year.

Any time after 45 Business Days following contribution made by the contributing Co-Venturer on behalf of the defaulting Co-Venturer, the contributing Co-Venturer may elect to convert all or any of the preferred loan to equity for so long as any of the preferred loan remains unpaid, with such equity conversion diluting the Percentage Share of the defaulting Co-Venturer by a percentage amount determined by dividing the amount of the Excess Contribution by the value of the Hotel immediately prior to the Excess Contribution being made as determined by one of the top three hotel appraisers in Canada as chosen by non-defaulting Co-Venturers (or using PKF Canada if they cannot agree) and paid for at the cost of the defaulting Co-Venturer; and

The defaulting Co-Venturer may cure all or part of its default by paying all or part of its contribution in default, plus applicable interest thereon, to the Co-Venturer to be used to immediately repay an equivalent amount of the preferred loan to the extent that it has not already been converted to equity; provided that, the third party cost to the Co-Venturer or the non-defaulting Co-Venturer (if any) resulting from any such prepayment will be paid by the defaulting Co-Venturer.

Decision-Making

Except as specifically set forth in this Agreement, all decisions of the Joint Venture must be made or approved by the Co-Venturers representing 86% of the total Percentage Share, with each Co-Venturer having votes weighted equivalent to their Percentage Shares at the time in question.

Unilateral Withdrawal

If one Co-Venturer wishes to exit the Joint Venture or liquidate its investment in the Joint Venture, and provided that no proceedings or transactions are then in progress under Sections “*Winding Up*” and “*Dissolution and Termination*” below, that Co-Venturer may initiate proceedings under this paragraph as follows:

- (a) Any Co-Venturer may initiate procedures under this paragraph on at least ten (10) Business Days prior written notice to all the other Co-Venturers, specifying the reason for the request and the expiry date of the notice (“**Notice Period**”).
- (b) The Co-Venturers will meet no later than five (5) Business Days after the end of the Notice Period to determine if they can agree on the remaining Co-Venturers or some combination of them buying the interest of the withdrawing Co-Venturer in the Joint Venture, or on a third party buying out the interest of the withdrawing Co-Venturer in the Joint Venture, or on a mechanism to market the Hotel and the Hotel Business and all operating assets for sale (“**Negotiated Resolution**”).
- (c) If a Negotiated Resolution is not agreed to within ten (10) Business Days following the Notice Period, the Management Committee shall obtain a written appraisal (the “**Written Appraisal**”) of the Hotel and the Hotel Business and all Joint Venture assets at the expense of the Co-Venturer who delivered the notice pursuant to (a) above and present a copy to all Co-Venturers within 40 Business Days from the expiry of the Notice Period.

- (d) The Co-Venturers will meet again within a further five Business Days following receipt of the Written Appraisal to determine if they can agree on the remaining Co-Venturers or some combination of them buying out the withdrawing Co-Venturer, or on a third party buying out the interest of the withdrawing Co-Venturer, or on a mechanism to market the Hotel and the Hotel Business and all Joint Venture assets for sale or such other terms as the Co-Venturers may agree to (“**Amicable Resolution**”).
- (e) If the Amicable Resolution is not agreed to within a further ten Business Days following receipt of the Written Appraisal, and the withdrawing Co-Venturer holds less than a five percent (5%) Percentage Share, then, at the option of the remaining Co-Venturers exercised by majority vote of their respective Percentage Shares, either:
 - (i) The remaining Co-Venturers shall purchase the Joint Venture Interest of the withdrawing Co-Venturer for a purchase price equal to the fair market value of that Joint Venture interest as agreed to by the Co-Venturers or as determined by arbitration if they cannot agree (“**Mandatory Buyout**”). The Mandatory Buyout will close within 45 Business Days after final determination of the purchase price therefore. The purchase price will be paid 25% on Closing, and the balance over twenty-four equal monthly payments without interest; or
 - (ii) The Co-Venturers will proceed in accordance with sub-paragraph (f) below.

Provided that if the remaining Co-Venturers fail to exercise either option in writing within the five Business Days, they will be deemed to have unanimously elected to proceed with the option set out in paragraph(e)(i).

- (f) If an Amicable Resolution is not agreed to within a further five Business Days, and if the withdrawing Co-Venturer has at least a 5% Percentage Share, or the remaining Co-Venturers elect to proceed under this sub-paragraph (f) as permitted by article (e)(ii) above, the Co-Venturers shall list the Hotel and all the operating assets of the Hotel Business for sale, and shall proceed as follows:
 - (i) The Manager will appoint licensed real estate broker to offer the Hotel and the Hotel and all operating assets of the Hotel Business for sale (“**Broker**”); if they cannot agree on whom the Broker shall be, the Broker shall be Jones Lang LaSalle Inc.
 - (ii) The Broker shall determine the best method of advertising or offering the Hotel and the Hotel Business assets for sale, and the listing price for each, and will proceed accordingly;
 - (iii) All written offers to purchase shall be presented in their entirety to all Co-Venturers;
 - (iv) Only good faith, arm’s length offers to purchase will be considered;
 - (v) Should the Co-Venturers receive an offer to purchase the Hotel or the Hotel Business or all or any of the operating assets which one of the Co-Venturers wishes to accept (the “**Offer**”), he shall so notify the other Co-Venturers in writing within three Business Days of receipt of the Offer, in which case the other Co-Venturers shall elect one of the following two options in writing within an additional five Business Days from receipt of that notice:
 - (1) To authorize acceptance of the Offer and complete a sale of the assets in question in accordance with the terms of the Offer; or
 - (2) To authorize rejection of the Offer, in which case they shall proceed to complete the purchase of the assets in question upon the same terms and conditions as set out in the Offer;
 - (vi) Provided that if they fail to make an election within the time period set out, they shall be deemed to have accepted the Offer to sell assets in question in accordance with the Offer in accordance with subsection (f)(v)(1) above;
 - (vii) Provided that if some Co-Venturers elect to accept the Offer and some elect to reject the Offer, the Co-Venturers who elect to reject the Offer shall buyout all Co-Venturers who have elected to accept the Offer on terms set out in the Offer.

Third Party Offers

If the Co-Venturers, Co-Venturer, or any one of them at any time receives an offer in writing to purchase all of the Hotel from a good faith, arm's length, third party purchaser ("**Offer**"), provided that no proceedings or a transaction under the section "*Unilateral Withdrawal*" above are then in progress, the Co-Venturers will proceed as follows:

- (a) All Offers shall be presented in their entirety to all Co-Venturers;
- (b) Should the Co-Venturers receive an Offer which one of the Co-Venturers wishes to accept (the "**Accepting Co-Venturer**"), he shall so notify the other Co-Venturers in writing within five Business Days of receipt of the Offer, in which case the other Co-Venturers shall elect one of the following two options in writing within an additional five Business Days from receipt of that notice:
 - (i) To accept the Offer and complete a sale of the assets in question in accordance with the terms of the Offer; or
 - (ii) To reject the Offer, in which case he shall proceed to complete the purchase of the Accepting Co-Venturer's Percentage Share in question upon the same terms and conditions as set out in the Offer, *mutatis mutandis*; provided that, the purchasing Co-Venturer shall be granted an additional 45 Business Days from the date of closing in the Offer to complete the purchase and sale;
- (c) Provided that if they fail to make an election within the time period set out, they shall be deemed to have accepted the Offer to sell assets in question in accordance with the Offer and paragraph (b)(i) above;
- (d) Provided further that if some Co-Venturers want to sell accept the Offer and some want to reject the Offer, the Co-Venturers who want to reject the Offer will proceed with the buyout as required by paragraph (b)(ii) above proportionate to their Percentage Share immediately prior to the closing of that transaction; and
- (e) Provided further that if the only Co-Venturers wishing to accept the Offer collectively hold less than 5% of the total Percentage Share, then, at the option of the remaining Co-Venturers exercised by simple majority vote of their remaining Percentage Share, the parties shall proceed under paragraph (d) above to buyout the accepting Co-Venturers rather than under paragraph (b)(ii) above.

Winding Up

If the Hotel is sold, any remaining operating assets in the Hotel Business will be liquidated as soon as possible thereafter. Once the Hotel and all other Joint Venture assets have been sold or liquidated, all Joint Venture income has been collected or written off, and all Joint Venture expenses and liabilities have been paid in full, any remaining funds in the Joint Venture will be distributed to the Co-Venturers in accordance with (i) firstly, their as yet unreturned contributed capital, and (ii) secondly, their Percentage Share. If, as a result of any such winding up, there is a loss or shortfall, each Co-Venturer will contribute to that loss or shortfall in accordance with their Percentage Share as set out above. In the event of any dispute as to the winding up of the Joint Venture or the calculation of any contributed capital, surplus or shortfall, the decision of the Joint Venture accountants acting reasonably will be final and binding.

Dissolution and Termination

The Joint Venture may be dissolved by Co-Venturers representing 86% of the total Percentage Share in the Joint Venture. Notwithstanding any rule of law or equity to the contrary, the Joint Venture shall not be dissolved nor the London Hotel Joint Venture Agreement terminated, except in the manner provided for in the London Hotel Joint Venture Agreement.

London Hotel Management Agreement

Pursuant to the terms of the London Purchase Agreement and the London Hotel Joint Venture Agreement, the Partnership, Palm Holdings, together with PP London Hotel Ltd. as operator, have entered into a Management Agreement (the "London Hotel Management Agreement") dated December 14, 2015 with Palm Hospitality Inc. ("Palm HI").

The following is a summary of the material terms of the London Hotel Management Agreement and is subject to the full terms of the London Hotel Management Agreement.

Reference below to “Owner” is collectively to the Partnership, Palm Holdings and PP London Hotel Ltd. Reference below to “Manager” is to Palm HI. All other capitalized terms below shall have the same meanings as ascribed to them in the London Hotel Management Agreement.

Reference below to “this Agreement” is to the London Hotel Management Agreement.

Reference below to “Franchise Agreement” is the London Hotel Franchise Licensing Agreement.

The Manager shall manage and operate the Hotel pursuant to all Legal Requirements and in accordance with the Brand Standards and the Operating Budgets subject to the following: the event that there is any conflict between the duties, obligations, terms and conditions set forth in this Agreement and the duties, obligations, terms and conditions set forth in the Franchise Agreement, the Franchise Agreement shall govern.

Subject to the express limitations set out in the London Hotel Management Agreement and within the parameters aforementioned, the Manager shall have discretion in the operation, direction, management and supervision of the Hotel and shall be responsible, among other matters, for:

- (i) using reasonable efforts to collect all charges, rents, and other amounts due from Hotel guests, tenants, parties providing services, and concessionaires;
- (ii) establishing the policy of the Hotel regarding the use of any credit card system;
- (iii) as may be necessary or desirable from time to time, developing and implementing revised food and beverage concepts and entertainment policies in a manner consistent with the Brand Standards;
- (iv) causing the Hotel to join such professional organizations as the Manager considers appropriate;
- (v) creating a marketing plan for the Hotel and, in a manner consistent with the Brand Hotel, promoting and publicizing the Hotel as a Brand Hotel, and providing the Owner with the Manager’s marketing services;
- (vi) organizing the sales department of the Hotel with staff, employees of the Owner and all costs booked as Operating Expenses;
- (vii) overseeing the maintenance and repair of the Hotel;
- (viii) hiring, as an Operating Expense, with the prior written approval of the Owner, third-party professionals or specialists to advise the Owner and the Manager with respect to the operation and maintenance of the Hotel (including, without limitation, the selection of attorneys for the handling of labour and any other labour related legal matters, instituted against the Manager);
- (ix) establishing prices and rate schedules for guest rooms, meeting rooms, commercial space, food, beverage, and other items or space in the Hotel;
- (x) determining and implementing all personnel policies and practices relating to the Hotel, including policies and practices relating to terms and conditions of employment, screening, selection, training, supervision, compensation, bonuses, severance, pension plans and other employee benefits, harassment, discipline, dismissal, transfer and replacement;
- (xi) implementing and maintaining within the Hotel any Brand policies, guidelines and methods as part of the Brand Standards, including without limitation fire safety guidelines, accessibility policy for people with disabilities or crisis management methods;
- (xii) using commercially reasonable efforts to do or cause to be done, all such acts and things in and about the Hotel to comply with all Legal Requirements;
- (xiii) paying from the Operating Account and on behalf of the Owner, any Operating Expenses when due to the extend sufficient funds are available for such payments;
- (xiv) entering into service contracts required in the ordinary course of business in operating the Hotel; and
- (xv) with prior consent of the Owner, entering into third party arrangements such as concession agreements, leases and licences for public spaces, where consistent with the Budget, provided that any such arrangements which are for a term exceeding three (3) years or which cannot be terminated at the same time as expiry of the London Hotel Management Agreement may be signed by the Manager only with the prior consent of Owner.

The Owner shall not interfere with the operation of, or give orders or instructions to personnel employed at, the Hotel in day to day operations and the Owner shall, except in Emergency Situations, communicate only with the General Manager of the Hotel or representatives of the Manager in its corporate office.

Upon request of the Manager, the Owner shall promptly sign any required applications for visas, permits to stay and work permits for Hotel employees and their dependents, otherwise assist and cooperate with the Manager in all respects in the process of obtaining visas, permits to stay, and work permits for Hotel employees and their dependents.

The Owner shall indemnify, defend, and hold harmless the Manager from and against all Employee Costs and all damages and third party claims based on or arising from any claim made by any employee of the Hotel or any liability to any employee of the Hotel arising out of or in connection with employment with the Hotel, including, without limitation, with respect to any applications for visas, permits to stay and work permits for Hotel employees and their dependents; provided that, the Owner shall not have an liability to the Manager for any losses and/or damages arising from the Manager's Wilful Act or Gross Negligence. This indemnity shall survive any termination of the Agreement.

Limitation of Manager's duties

The Manager's duties under the London Hotel Management Agreement are subject to the availability of sufficient funds for agreed expenditures or Capital Improvements from the Operating Account or the FF&E Reserve Fund Account or otherwise provided by the Owner in accordance with the terms and conditions of this Agreement. In no event shall the Manager be obliged to advance any amounts to pay for any costs or expenses of the Hotel.

Notwithstanding anything to the contrary in this Agreement, the Manager shall be released from its obligations to operate the Hotel in conformity with the Brand Standards, despite its reasonable effort: (i) to the extent and whenever the Manager shall be prevented from doing so by reason of the occurrence of a Force Majeure Event; (ii) to the extent and for the duration of any failure by the Owner of its own obligations to provide sufficient funds in accordance with the terms and conditions of the London Hotel Management Agreement; (iii) to the extent of any other default attributable to the Owner or breach of any provision of the London Hotel Management Agreement.

The Manager's services under the London Hotel Management Agreement do not extend to management of any abatement or other correction of any environmental, construction and land-related issues arising at the Hotel during the Term of the London Hotel Management Agreement and (i) relating to the operation of the Hotel or activities undertaken at the Hotel prior to the Term; or (ii) are caused by sources outside the Hotel. The Owner shall retain full managerial and financial responsibility for and control over abating or correcting such issues; provided, however, that such actions shall be done with as little disturbance or interruption of the operation of the Hotel as practicable. Notwithstanding the foregoing, the Manager shall have the right to take appropriate steps, on the Owner's behalf, in Emergency Situations.

The Owner specifically consents to all transactions and conduct by Manager and its Affiliates described in the London Hotel Management Agreement, including those set out below, and waives any Implied Fiduciary Duties which the Manager may owe to the Owner now, or which may arise in the future, in connection with such transactions or conduct, excluding however, any claims resulting from the Manager's Wilful Act or Gross Negligence.

Initial Term

The initial period of the London Hotel Management Agreement shall begin on the Effective Date and shall continue for a period of three (3) years (the "**Initial Term**").

Renewals and Termination

At the end of the Initial Term and each subsequent Term of the London Hotel Management Agreement shall be renewed on the same terms and conditions for one (1) additional period of one (1) Operating Year (the "**Renewal Term**") by the Owner giving not less than 45 Business Days written notice to the Manager of its intention to renew.

Maintenance and Repairs

On behalf of Owner, the Manager shall, arrange for all necessary or desirable maintenance and repairs including replacements of Operating Equipment, organization of occasional maintenance and maintenance service contracts, in order to maintain the Hotel in a proper state of operation and in compliance with the Brand Standards and all Legal Requirements. The relevant costs and expenses relating to such maintenance shall be anticipated by the Manager in the Operating Budget and accounted for as Operating Expenses in accordance with Uniform System of Accounts and paid out from the Operating Account. Repairs and replacement of FF&E, emergency expenditures or compliance with a change in laws, relating to FF&E, shall be paid out from the FF&E Reserve Fund.

Capital Improvements

The Manager shall arrange for the full completion of all Minor Capital Improvements included in the Capital Improvement Budget or otherwise approved by the Owner for any Operating Year.

Capital Improvement expenditures up to the amount budgeted for in the Capital Improvement Budget for the relevant Operating Year or as otherwise agreed between the Manager and the Owner shall be reasonably determined in the annual Capital Improvement Budget to be agreed between Owner and the Manager.

In addition, the Manager shall assist the Owner to complete any Major Capital Improvements approved by the Owner in the Capital Improvement Budget for any Operating Year.

For Major Capital Improvements if requested by the Manager the Owner and the Manager will enter into a TSA, for a remuneration to the Manager which shall be negotiated in good faith depending on the scope of work.

All expenditures in excess of amounts budgeted for as Capital Improvements in the Capital Improvement Budget shall require the Owner's approval, (in the Owner's sole and absolute discretion), provided, however, the Owner may not disapprove any item required in order for the Hotel to comply with (i) Brand Standards and (ii) all Legal Requirements in effect from time to time.

The lack of sufficient funds shall not limit the Owner's obligations to (i) finance Capital Improvements which have been budgeted for, or otherwise approved by the Owner or authorized under the terms of the London Hotel Management Agreement and to (ii) provide sufficient funds to enable the Manager to complete and pay for all such Capital Improvements budgeted for, or otherwise approved or authorized by the Owner under the terms of the London Hotel Management Agreement.

Notwithstanding anything to the contrary in the present Section, in Emergency Situations or in those instances in which the Manager in good faith erroneously determines as Emergency Situations, any repair or replacement which the Hotel accountants, or a governmental agency subsequently classifies as a Capital Improvement shall be deemed to have been made with the prior written consent of Owner.

FF&E Reserve Fund

The FF&E Reserve Fund may be used for its defined purpose only as follows:

A FF&E Reserve Fund (the "FF&E Reserve Fund") equal to four (4%) percent of the annual Gross Revenues will be allocated monthly for the purpose of funding the amounts necessary to cover expenses related to renewals, repair and replacements of FF&E to maintain the Hotel in good order of operation and to comply with Legal Requirements. For Hotels redeveloped in the last 5 years, the amount to be put in the Reserve Fund will be as follows:

After Redevelopment:

- (i) Year 1: 0%
- (ii) Year 2: 1%
- (iii) Year 3: 2%
- (iv) Year 4: 3%
- (v) Year 5: 4%

The Trust expects this this Reserve Fund will be the greater of the above and any requirements under the London Hotel Franchise License Agreement.

Management Fees

Subscribers should note that the terms of the Management Fee are confidential as between the Owner and the Manager. The following is the basis on which the Management Fee will be determined:

Management Fees shall consist of the following fees to be paid by the Owner:

- (i) a Base Management Fee which shall be a percentage of gross revenues of the Hotel;
- (ii) an Incentive Management Fee which is based on the financial performance of the Hotel; and
- (iii) a Bonus based on the Hotel's performance versus industry metrics.

Owner's Right of Inspection

The Owner, its accountants, attorneys and duly empowered agents shall, after giving the Manager reasonable notice, have the right to enter upon any part of the Premises at reasonable times during the Term of the London Hotel Management Agreement for the purpose of examining or inspecting the same or examining the books and records of the Hotel.

Liabilities

Owner's liability

The Owner is liable for any property loss, financial loss or bodily injuries occurring to a third party including Hotel guests and Hotel employees, excluding any loss resulting from a Wilful Act or Gross Negligence:

- a. in connection with the Hotel (including the Premises, FF&E, Operating Equipment and Operating Supplies) for whatever reason including but not limited to poor maintenance; unless such poor maintenance is a result of the Manager's failure to fulfil its obligations under the London Hotel Management Agreement; and
- b. in connection with the operation of the Hotel.

The Owner shall indemnify the Manager and hold harmless the Palm Group for any Claims arising in connection with (i) and (ii), and any and all Claims that the Palm Group may have alleged against it, incur, become responsible for or pay out for any reason related to: (A) the design, construction, development, operation, or ownership of the Hotel, including, without limitation, the labor and employment relationship between Owner and the Hotel Personnel; or (B) Owner's breach of its warranties, representations or covenants under the London Hotel Management Agreement. This indemnity shall survive any termination of the London Hotel Management Agreement.

Manager's liability

The Manager is not liable for any property loss, financial loss, loss of profits, loss of revenue, loss of business opportunity, or bodily injury of any kind arising out of or connected with the Hotel or the performance of the management services performed hereunder ("**Claims**"), except for Claims arising in connection with any failure by the Manager to comply with its obligations under the London Hotel Management Agreement which constitute a Wilful Act or Gross Negligence.

Termination by the Owner

The Owner may terminate the London Hotel Management Agreement to the extent permitted by law if:

- (i) the Manager shall have breached any material representation set out in the London Hotel Management Agreement or the Manager fails to keep, observe, or perform any material provision of the London Hotel Management Agreement to be kept, observed, or performed by the Manager, and such breach or default, as the case may be, continues until and is not cured by, the date that is ninety (90) days after receipt by the Manager of a notice from the Owner in writing specifying the relevant breach or failure; or
- (ii) the Manager files a voluntary petition under any bankruptcy, insolvency or similar law or a petition for reorganization under any bankruptcy, insolvency or similar law or admits that it is unable to pay its debts as they become due (excluding any vexatious petition removed within ten (10) days); or
- (iii) the Manager consents to an involuntary petition under any bankruptcy, insolvency or similar law or fails to vacate, within sixty (60) days from the date of entry thereof, any order approving an involuntary petition under any bankruptcy, insolvency or similar law against the Manager (excluding any vexatious petition removed within ten (10) days); or
- (iv) an order, judgment or decree by any court of competent jurisdiction, on the application of a creditor, adjudicates the Manager as bankrupt, insolvent or similar status or approves a petition seeking reorganization or appointing a receiver, trustee, judicial manager, or liquidator of all or a substantial part of the Manager's assets, and such order, judgment or decree is not dismissed within sixty (60) days; or
- (v) the Manager causes the Owner to commit a material breach under the Franchise Agreement giving rise to: (A) a Brand right of termination of the Franchise Agreement; or (B) receipt of notice from the Brand of a material breach.

In all such cases, the Owner shall, prior to termination, give to the Manager a notice of its intention to terminate this Agreement and unless this notice of termination is withdrawn within a period of ten (10) days from the date of such notice this Agreement shall terminate upon the expiration of such ten (10) day period.

In addition to the foregoing, the Owner shall be entitled to terminate this Agreement in the sole discretion of the Owner upon six (6) months' prior notice to the Manager.

Termination by the Manager

In addition to any other termination rights it may have under the London Hotel Management Agreement, the Manager may terminate the London Hotel Management Agreement to the extent permitted by law if:

- (i) the Owner shall have breached any material representation set out in the London Hotel Management Agreement or the Owner fails to keep, observe, or perform any material provision of the London Hotel Management Agreement or the Franchise Agreement to be kept, observed, or performed by the Owner, and such breach or default, as the case may be but in all instances, continues until, and is not cured by, the date that is ninety (90) days after receipt by the Owner of a notice from the Manager in writing specifying the relevant breach or failure, PROVIDED THAT if the relevant default is not such that it can reasonably be cured within that ninety (90) day period and to the extent that the Owner shall have started to cure and be diligently pursuing the cure of such default then the period of ninety (90) days will be extended to such longer period as shall be reasonable in the circumstances, but not to exceed one hundred and eighty (180) days; or
- (ii) the Owner fails to make any payment required to be made in accordance with the terms of the London Hotel Management Agreement (other than payment of any shortfall into the FF&E Reserve Fund Account which is addressed in the heading “*Maintenance and Repairs*” above), as of the due date under the London Hotel Management Agreement and such default continues for a period of ninety (90) days after issuance of a notice by the Manager to the Owner specifying that default; or
- (iii) under any of the terms provided for in subparagraphs (ii)-(iv) in the heading “*Termination by the Owner*” above in respect of any such actions undertaken by the Owner as described therein.

In all such cases, the Manager shall, prior to termination, give to the Owner a notice of its intention to terminate the London Hotel Management Agreement and unless this notice of termination is withdrawn within a period of ten (10) days from the date of such the London Hotel Management this Agreement shall terminate upon the expiration of such ten (10) day period.

In addition to the foregoing, the Manager shall be entitled to terminate the London Hotel Management Agreement in the sole discretion of the Manager upon six (6) months’ prior written notice to the Owner.

Termination on Winding up of Joint Venture

Notwithstanding anything herein to the contrary, the London Hotel Management Agreement shall automatically terminate upon completion of the winding up of the Owner’s Joint Venture, without the requirement for the Owner to pay any termination fee to the Manager.

Waterloo Hotel Joint Venture Agreement

Pursuant to the terms of the Waterloo Hotel Purchase Agreement, the Partnership and Country Inns, together with PP Waterloo Hotel Ltd. (the “Operator”) as operator, have entered into Waterloo Hotel Joint Venture Agreement dated December 14, 2015.

The Operator is a wholly owned subsidiary of Country Inns and the Partnership. The Operator will be a bare trustee of the Waterloo Hotel Joint Venture Agreement and the Waterloo Hotel operator holding the property relating to the Hotel and operating the Waterloo Hotel business in trust for the beneficial owners thereof, being Country Inns and the Partnership on a joint venture basis.

The material terms of the Waterloo Hotel Joint Venture Agreement are the same as found in the London Hotel Joint Venture Agreement. See Item 2.2 – “Our Business - London Hotel Joint Venture Agreement”.

Waterloo Hotel Management Agreement

Pursuant to the terms of the Waterloo Hotel Purchase Agreement and the Waterloo Hotel Joint Venture Agreement, the Partnership, Country Inns, together with PP Waterloo Hotel Ltd. as operator, have entered into a Management Agreement (the “Waterloo Hotel Management Agreement”) dated December 14, 2015 with Palm Hospitality Inc. (“Palm HI”).

The following is a summary of the material terms of the Waterloo Hotel Management Agreement and is subject to the full terms of the Waterloo Hotel Management Agreement.

Reference below to “Owner” is collectively to the Partnership, Country Inns and PP Waterloo Hotel Ltd. Reference below to “Manager” is to Palm HI. All other capitalized terms below shall have the same meanings as ascribed to them in the Waterloo Hotel Management Agreement.

The material terms of the Waterloo Hotel Management Agreement are the same as found in the London Hotel Management Agreement. See Item 2.2 – “Our Business – “London Hotel Management Agreement”.

London/Waterloo Hospitality Management Agreement

The Partnership has entered into a Hospitality Management Agreement dated January 4, 2016 (“London/Waterloo Hospitality Management Agreement”) with Hospitality Management Corp. pursuant to which Hospitality Management Corp. will manage the Partnership’s Interest in the London and Waterloo Hotels. The Partnership will pay Hospitality Management Corp. two percent (2%) of the gross revenues of the Partnership’s Interest in the London Hotel and the Waterloo Hotel as determined by GAAP. See Item 2.5 - “Summary of Material Agreements - Summary Hospitality Management Agreement”.

Palm Holdings Canada

The Trust believes that the acquisition of the London and Waterloo Hotels from Palm Holdings Canada and subsequent joint ventures may lead to future strategic co-venture projects with Palm Holdings Canada focused on jointly buying, renovating, rebranding, operating and selling internationally branded franchised hotels.

Palm Holdings Canada is the marketing umbrella for a number of family owned businesses that have been working together for over three generations. Palm Holdings Canada and its team have successfully renovated and sold over 50 hotels worth over \$500 million in Canada, UK, India and USA.

Their experience in hotel development and management, commercial property, restaurants, and hotel reservation services are well documented through projects in the UK, Canada, India and USA. Three of their affiliate companies are Palm HI, Palm Construction, and Palm Ventures.

Recent Accolades for Palm Holdings Canada include:

- Marriott Developer of the year in Canada - 2015
- One of Canada's top 50 Largest Hotel Companies for 2011-2015
- IHG conversion project of the year - Holiday Inn Express Naples, 2014
- Best Western, Best of the Best Award, 2012

Current and Past Projects of Palm Holdings Canada include:

Canada

- Courtyard by Marriott Waterloo St. Jacobs
- Four Points by Sheraton Waterloo-Kitchener
- Marriott Towne Place Suites, London, Ontario
- Quality Suites London, Ontario
- Quality Inn and Suites, Halifax
- Travelodge Niagara Falls
- Best Western Inn, Sudbury,
- Fairfield Inn by Marriott, Belleville
- Four Points by Sheraton, Toronto
- Four Points by Sheraton, Waterloo
- Novotel Toronto Airport Hotel, Toronto
- Travelodge, Chatham, Ontario
- Aroma Espresso Bar, Bay Street Toronto
- Aroma Espresso Bar, RBC WaterPark, Toronto

United Kingdom

- Old Waverley Hotel, Edinburgh
- Holyrood ApartHOTEL, Edinburgh
- The Howard Hotel, Edinburgh
- Channings Hotel, Edinburgh
- Blackfriars Wine Bar, London
- Edward House Offices, Manchester
- Europoint Centre Offices, London
- Clarendon Hotel, Edinburgh
- Parliament House Hotel, Edinburgh
- Rathbone Hotel, London
- Royal Terrace Hotel, Edinburgh

USA

- Holiday Inn Express Hotel & Suites Naples
- Inn at Calypso Cay, South Buena Vista, Orlando

India

- Hampton by Hilton Talegaon, Pune, India

2.3 DEVELOPMENT OF THE BUSINESS

The following are the major events that have occurred with respect to the business of the Partnership and the Trust to the date of this Offering Memorandum:

- (i) The Trust and Partnership have both been established;
- (ii) The Trust and the Partnership have entered into the Funding Agreement;
- (iii) The Trust and AdminCo have entered into the Administration Agreement;
- (iv) The Trust has raised \$2,781,889 from the issue of 3,025,858 Class B-F Trust Units under the Previous Offering and acquired an aggregate of 3,025,858 Class B-F LP Units from the Partnership with those proceeds;
- (v) The Trust and the Partnership have each entered into separate Marketing Agreements with Prestige Capital;
- (vi) The Partnership has entered into the London Hotel Purchase Agreement, the London Hotel Joint Venture Agreement, the London Hotel Management Agreement and the Waterloo Hotel Purchase Agreement, Waterloo Hotel Joint Venture Agreement and Waterloo Hotel Management Agreement;
- (vii) The Partnership has entered into the London/Waterloo Hospitality Management Agreement; and
- (viii) The Partnership expects to enter into Franchise License Agreements with Marriott International with respect to each of the London and Waterloo Hotels by February 8, 2016.

Assuming the Partnership satisfies or waives the conditions with respect to the London Hotel Purchase Agreement and the Waterloo Hotel Purchase Agreement, it expects that it will enter into a number of agreements necessary to give effect to the acquisition of the above Hotels by their respective Joint Ventures.

The Trust expects that it will enter into a number of distribution agreements with Exempt Market Dealers to affect the distribution of Units under this Offering.

There have been no unfavorable developments affecting the Trust or the Partnership's business since inception.

2.3.1 SHORT AND LONG TERM OBJECTIVES

The Trust

The Trust's primary purpose and sole business, and thus its short term and long term objective, is to raise \$50,000,000 in the aggregate under this Offering and the Previous Offering, acquire Class B - G LP Units from the Partnership and to loan funds to the Holding LP where the Trust acquires Properties in the United States, all with the objective of generating returns to Unitholders. All of the Gross Proceeds of the Offering will be used to acquire Class B - G LP Units from the Partnership and to loan funds to the Holding LP, if Hotel Properties are acquired in the United States, which funds will be used to acquire real estate assets or provide Mezzanine Financing to Mezzanine Borrowers. The number of Class B - G LP Units acquired by the Trust and the aggregate of all loans made by the Trust to the Holding LP will be contingent on the amount of funds raised pursuant to this Offering and whether the Trust acquires any Hotel Properties in the United States. Investments in the Trust should be considered long-term in nature.

The costs and expenses associated with this Offering, assuming the Maximum Offering, are estimated to be \$6,174,654. All expenses of the Offering will be borne by the Partnership rather than the Trust pursuant to the terms of the Funding Agreement. See Item 1.2 - "Use of Available Funds".

The Partnership

The Partnership plans to acquire a number of Hotel Properties and provide Mezzanine Financing to Mezzanine Borrowers.

The following are the estimated costs that the Partnership expects to incur in pursuing its business objectives over the ensuing 12 months from the date of this Offering Memorandum:

| What we must do and how we will do it | Target completion date or, if not known, number of months to complete | Our costs to complete |
|---|--|--|
| Raise \$47,218,110 through this Offering | By December 31, 2016 | \$6,173,353 ⁽¹⁾ |
| Acquire an 85% joint venture interest in the London Hotel | By March 16, 2016 | \$12,325,000 ⁽²⁾ |
| Pay out 85% of the vendor financing with respect to the London Hotel | By October 31, 2016 | \$2,125,000 ⁽²⁾ |
| Enter into the London and Waterloo Hotel Franchise License Agreements | By February 8, 2016 | \$300,000 |
| Acquire an 85% joint venture interest in the Waterloo Hotel | By October 31, 2016 | \$14,450,000 ⁽³⁾ |
| Deploy the available funds of this Offering, other than those uses in the above 2 acquisitions, in the Acquisition of additional Hotel Properties and Mezzanine Financing | By December 31, 2016 | The line items below represent the estimated costs of the Partnership in achieving this objective. |
| Appraisals | By December 31, 2016 | \$30,000 |
| Environmental Studies | By December 31, 2016 | \$28,000 |
| Legal Fees – Hotel Properties and Mezzanine Financing | By December 31, 2016 | \$100,000 |
| Other Consulting and Due Diligence | By December 31, 2016 | \$50,000 |
| Financing commitment fees paid to lenders who provide acquisition financing to the Partnership | By December 31, 2016 | \$400,000 |
| Total: | | \$33,856,353 ^{(4) (5)} |

(1) Inclusive of items (i)-(iii) referenced in the table set forth in Item 1.2 - “Available Funds – The Partnership”.

(2) See Item 2.2 - “Our Business- The London Hotel Purchase Agreement”.

(3) See Item 2.2 - “Our Business- The Waterloo Hotel Purchase Agreement”.

(4) The above costs relate only to estimated expenses relating to identifying and acquiring future Hotel Properties, acquiring an 85% joint venture interest in each of the London and Waterloo Hotels and providing Mezzanine Financing to Mezzanine Borrowers.

(5) Does not include the \$2,125,000 to pay out 85% of the vendor financing with respect to the acquisition of the London Hotel as this amount is included in the payment of the purchase price of the Partnership’s 85% joint venture interest of \$12,235,000.

2.4 INSUFFICIENT FUNDS

The Trust

The Trust intends that all or substantially all of the Gross Proceeds of the Offering will be used to acquire Class B - G LP Units in the Partnership and to loan funds to the Holding LP. The Trust does not intend to hold any significant cash reserves. The proceeds of this Offering may not be sufficient to accomplish all of the Trust’s proposed objectives and there is no assurance that alternative financing will be available.

The Partnership

The Partnership intends that all or substantially all of the Gross Proceeds of the Offering, after payment of all costs, expenses and Selling Commissions associated with this Offering will be used in the business of acquiring Hotel Properties and providing Mezzanine Financing to Mezzanine Borrowers and to pay for the operating and administration expenses of the Trust and the Partnership. The Partnership does not intend to hold any significant cash reserves. The proceeds of this Offering may not be sufficient to accomplish all of the Partnership’s proposed objectives and there is no assurance that alternative financing will be available.

2.5 MATERIAL AGREEMENTS

The Trust

The only material agreements which have been entered into by the Trust since its formation are:

- the Declaration of Trust (see Item 2.5 – “Material Agreements - Summary of the Declaration of Trust”);
- the Administration Agreement (see Item 2.5 – “Material Agreements - Summary of the Administration Agreement”);
- the Funding Agreement (see Item 2.5 – “Material Agreements - Summary of the Funding Agreement”); and
- the Marketing Agreement with Prestige Capital (see Item 2.5 – “Material Agreements - Summary of the Marketing Agreements”).

The Partnership

The only material agreements which have been entered into by the Partnership since its formation are:

- the Partnership Agreement (see Item 2.5 – “Material Agreements - Summary of the Partnership Agreement”);
- the Funding Agreement (see Item 2.5 – “Material Agreements - Summary of the Funding Agreement”);
- the Marketing Agreement with Prestige Capital see Item 2.5 – “Material Agreements - Summary of the Marketing Agreements”);
- The London Hotel Purchase Agreement (see Item 2.2 – “Our Business – London Hotel Purchase Agreement”);
- The London Hotel Joint Venture Agreement (see Item 2.2 – “Our Business – London Hotel Joint Venture Agreement”);
- The London Hotel Management Agreement (see Item 2.2 – “Our Business – London Hotel Management Agreement”);
- The Waterloo Hotel Purchase Agreement (see Item 2.2 – “Our Business – Waterloo Hotel Purchase Agreement”);
- The Waterloo Hotel Joint Venture Agreement (see Item 2.2 – “Our Business – Waterloo Hotel Joint Venture Agreement”);
- The Waterloo Hotel Management Agreement (see Item 2.2 – “Our Business – Waterloo Hotel Management Agreement”);
- The Partnership expects to enter into Franchise License Agreements with Marriott International with respect to the London and Waterloo Hotels by February 8, 2016. As the terms of these Agreements are not yet final the Partnership is unable to disclose the material terms of these Agreements in this Offering Memorandum.
- Upon the acquisition of a Hotel Property by the Trust, a Hospitality Subsidiary will be incorporated and the Partnership will enter into a Hospitality Management Agreement with that Subsidiary. In the case of the London and Waterloo Hotels, Hospitality has been incorporated for this purpose and has entered into such an Agreement with the Partnership. See Item 2.2 – “Our Business – London/Waterloo Hospitality Management Agreement”.

SUMMARY OF THE DECLARATION OF TRUST

The following is a summary of the Declaration of Trust dated January 9, 2015 and amended on March 4, 2015. This is a summary only and is subject to the complete terms and conditions of the Declaration of Trust.

General

A Subscriber for Units will become a Unitholder of the Trust upon the acceptance by the Trustees of a subscription in the form approved from time to time by the Trustees.

Nature of Units

- (a) The beneficial interests in the Trust shall be divided into interests of Class B, C, D, E, F and G units, described and designated as “Units”, which shall be entitled to the rights and subject to the limitations, restrictions and conditions set out in the Declaration of Trust, and the interest of each Unitholder shall be determined by the number of Units registered in the name of the Unitholder; and
- (b) subject to the terms of the Declaration of Trust, each Unit represents an equal undivided beneficial interest in any distribution from the Trust (whether of Income of the Trust, Net Realized Capital Gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up of the Trust. All Units shall rank among themselves equally and rateably without discrimination, preference or priority, whatever may be the actual date or terms of issue thereof. Each Unit shall entitle the holder of record thereof to one vote at all meetings of Unitholders or in respect of any written resolution of Unitholders.

Authorized Number of Units

The aggregate number of Trust Units which is authorized and may be issued is unlimited.

Issue of Units

- (a) Units shall be issued pursuant to and in accordance with the Declaration of Trust;
- (b) AdminCo, on behalf of the Trustees, is authorized to review and accept subscriptions for Units received by the Trust and to issue Units in Classes pursuant thereto;
- (c) in addition, Units may be issued by the Trust at the times, to the persons, for the consideration and on the terms and conditions that AdminCo, on behalf of the Trustees, determines, and, without limiting the generality of the foregoing, AdminCo, on behalf of the Trustees, may authorize the Trust to pay a reasonable commission to any person in consideration of such person purchasing or agreeing to purchase Units from the Trust or from any other person or procuring or agreeing to procure purchasers for Units; and
- (d) Units shall only be issued as and when fully paid in money, property, including indebtedness, or past services, and are not to be subject to future calls or assessments, except that Units to be issued under an offering may be issued for a consideration payable in instalments and the Trust may take a security interest over such Units for unpaid instalments.

Units Non-Assessable

No Units shall be issued other than as fully paid and non-assessable. No person shall be entitled, as a matter of right, to subscribe for or purchase any Unit, except in accordance with the provisions of the Declaration of Trust.

Legal Ownership of Assets of the Trust

The legal ownership of the assets of the Trust and the right to manage the investments of the Trust are vested exclusively in the Trustees and the Unitholders shall have no interest therein other than the beneficial interest in the Trust Assets conferred by their Units issued under the Declaration of Trust and they shall have no right to compel any partition, division, dividend or distribution of the Trust Assets or any of the assets of the Trust. The Units shall be personal property and shall confer upon the holders thereof only the interest and rights specifically set forth in the Declaration of Trust. No Unitholder has or is deemed to have any right of ownership in any of the assets of the Trust, including without limitation the Trust Assets.

No Fractional Units

Fractions of Units shall not be issued, except pursuant to distributions of additional Units to all Unitholders. Fractions of Units will not be entitled to vote at meetings of Unitholders.

Consolidation of Units

Immediately after any pro-rata distribution of additional Units to all holders of Units, the number of the outstanding Units will automatically be consolidated such that each such holder will hold after the consolidation the same number of Units as such holder held before the distribution of additional Units and each Unit certificate representing a number of Units prior to the distribution of additional Units is deemed to represent the same number of Units after the distribution of additional Units and the consolidation. Such consolidation shall not constitute a redemption or cancellation of Units so consolidated and a Unitholder whose Units are consolidated shall not receive, and shall not be entitled to receive, any proceeds of disposition in respect thereof.

Notwithstanding the foregoing, where tax is required to be withheld in respect of a Unitholder's share of the distribution, the Trust shall withhold from the cash portion of such distribution, if any, or the Unitholder shall make a cash payment to the Trust, of an amount equal to the amount of tax required to be remitted to the appropriate taxation authority by the Trust, or, if such withholding cannot be made by the Trust or such payment is not made by the Unitholder:

- (a) the consolidation of the Units held by such Unitholder will result in such Unitholder holding that number of Units equal to the number of Units held by such Unitholder prior to the distribution minus the number of Units withheld by the Trust on account of withholding taxes payable by the Unitholder in respect of the distribution; and
- (b) the consolidation shall not apply to any Units so withheld.

Any Units so withheld shall either be delivered to the appropriate taxation authority or sold, in which case the net proceeds shall be remitted to the appropriate taxation authority. Such Unitholder will be required to surrender the Unit Certificates, if any, representing such Unitholder's original Units, in exchange for a Unit Certificate representing such Unitholder's post-consolidation Units other than the withheld Units.

No Conversion, Retraction, Redemption or Pre-Emptive Rights

Except as otherwise set forth herein, there are no conversion, retraction, redemption or pre-emptive rights attaching to the Units.

Power of Attorney

Each Unitholder hereby grants to the Trustees, AdminCo and their respective successors and assigns, a power of attorney constituting the Trustees or AdminCo, as the case may be, with full power of substitution, as such Unitholder's true and lawful attorney to act on the Unitholder's behalf, with full power and authority in the Unitholder's name, place and stead, and to execute, under seal or otherwise, swear to, acknowledge, deliver, make or file or record when, as and where required:

- (a) the Declaration of Trust, any amendment, supplement or restatement of the Declaration of Trust and any other instrument required or desirable to qualify, continue and keep in good standing the Trust as a mutual fund trust;
- (b) any instrument, deed, agreement or document in connection with carrying on the affairs of the Trust as authorized in the Declaration of Trust including all conveyances, transfers and other documents required in connection with any disposition of Units;
- (c) all conveyances, transfers and other documents required in connection with the dissolution, liquidation or termination of the Trust in accordance with the terms of the Declaration of Trust;
- (d) any and all elections, determinations or designations whether jointly with third parties or otherwise, under the Tax Act or any other taxation or other legislation or similar laws of Canada or of any other jurisdiction in respect of the affairs of the Trust or of a Unitholder's interest in the Trust; and
- (e) any amendment to the Declaration of Trust which is authorized from time to time.

The Power of Attorney granted herein is, to the extent permitted by applicable law, irrevocable and will survive the assignment by the Unitholder of all or part of the Unitholder's interest in the Trust and will extend to and bind the heirs, executors, administrators and other legal representatives and successors and assigns of the Unitholder.

Powers of the Trustees

- (a) Subject to the terms and conditions of the Declaration of Trust, the Trustees may exercise from time to time in respect of the Trust Assets and the investments and affairs of the Trust any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof;
- (b) subject to the specific limitations contained in the Declaration of Trust, the Trustees shall have, without further or other action or consent, and free from any power of control on the part of the Unitholders, full, absolute and exclusive power, control and authority over the Trust Assets and over, and management of, the affairs of the Trust to the same extent as if the Trustees were the sole and absolute beneficial owners of the Trust Assets in their own right, to do all such acts and things as in its sole judgment and Discretion are necessary or incidental to, or desirable for, carrying out the trust created hereunder. In construing the provisions of the Declaration of Trust, presumption shall be in favour of the granted powers and authority to the Trustees. The enumeration of any specific power or authority herein shall not be construed as limiting the general powers or authority or any other specified power or authority conferred herein on the Trustees. To the maximum extent permitted by law the Trustees shall, in carrying out investment activities,

not be in any way restricted by the provisions of the laws of any jurisdiction limiting or purporting to limit investments which may be made by trustees;

- (c) except as expressly prohibited by law, the Trustees may grant or delegate to any person (including AdminCo) the authority and the powers of the Trustees under the Declaration of Trust as the Trustees may in their Discretion deem appropriate, necessary or desirable to carry out and effect the actual management and administration of the duties of the Trustees under the Declaration of Trust, without regard to whether the authority is normally granted or delegated by trustees; and
- (d) the Trustees are hereby authorized to execute and deliver the Administration Agreement and to appoint AdminCo to act for and on behalf of the Trust in accordance with those powers and authorities granted to AdminCo under the terms of such agreement, and the Trustees may delegate to such person (and in addition to those matters, if any, specifically granted or delegated to AdminCo in the Declaration of Trust) and of those duties of the Trustees under the Declaration of Trust that the Trustees deem appropriate.

Without limiting the generality of the foregoing, the Trustees may grant broad Discretion to AdminCo to administer and manage the day-to-day operations of the Trust, to act as agent for the Trust, to execute documents on behalf of the Trust, and to make decisions on behalf of the Trust. AdminCo shall have the powers and duties as may be expressly provided for in the Declaration of Trust and in the Administration Agreement and may be given, without limitation, the power to further delegate management and administration of the Trust, as well as the power to retain and instruct such appropriate experts or advisors to perform those duties and obligations which it is not best suited to perform.

Specific Powers and Authorities

Subject to any other express limitations contained in the Declaration of Trust and in addition to any other powers and authorities conferred by the Declaration of Trust or which the Trustees may have by virtue of any present or future statute or rule of law, but subject to the delegation to AdminCo, the Trustees without any action or consent by the Unitholders shall have and may exercise at any time and from time to time the following powers and authorities which may or may not be exercised by the Trustees in such manner and upon such terms and conditions as it may from time to time determine proper, provided that the exercise of such powers and authorities does not adversely affect the status of the Trust as a “mutual fund trust” for purposes of the Tax Act or cause the Trust to become a “SIFT trust” for purposes of the Tax Act, or fail to comply with the provisions of 132(7) of the Tax Act:

- (a) to supervise the activities and manage the investments and affairs of the Trust;
- (b) to maintain records and provide reports to Unitholders;
- (c) to open, operate and close accounts and other similar credit, deposit and banking arrangements and to negotiate and sign banking and financing contracts and agreements;
- (d) without limit as to amount, issue any type of debt securities or convertible debt securities and borrow money or incur any other form of indebtedness for the purpose of carrying out the purposes of the Trust or for other expenses incurred in connection with the Trust and for such purposes may draw, make, execute and issue promissory notes and other negotiable and non-negotiable instruments or securities and evidences of indebtedness, secure the payment of sums so borrowed or indebtedness incurred and mortgage, hypothecate, pledge, assign or grant a security interest in any money owing to the Trust or in Trust Assets or engage in any other means of financing the Trust;
- (e) to obtain security, including encumbrances on assets, to secure the full payment of monies owed to the Trust and the performance of obligations in favour of the Trust, and to exercise all of the rights of the Trust, and to perform all of the obligations of the Trust, under such security;
- (f) to exercise and enforce any and all rights of foreclosure, to bid on property on sale or foreclosure, to take a conveyance in lieu of foreclosure with or without paying a consideration therefor and in connection therewith to revive the obligation on the covenants secured by such security and to exercise and enforce in any action, suit or proceeding at law or in equity any rights or remedies with respect to any such security or guarantee;
- (g) to establish places of business of the Trust;
- (h) to manage the Trust Assets and to, sell, transfer and assign the Trust Assets; however, the Trustees shall not sell all or substantially all of the Trust Assets without the consent of the Unitholders by Extraordinary Unitholder Resolution;
- (i) to invest, hold shares, trust units, beneficial interests, partnership interests (other than general partnership interests), joint venture interests or other interests in any person necessary or useful to carry out the purpose of the Trust;
- (j) to cause title to any of the Trust assets to be drawn up in the name of such person on behalf of the Trust or, to the extent permitted by applicable law, in the name of the Trust, as the Trustees shall determine;

- (k) to determine conclusively the allocation to capital, income or other appropriate accounts of all receipts, expenses and disbursements;
- (l) to enter into any agreement or instrument to create or provide for the issue of Units or (including any firm or best efforts underwriting agreement), to cause such Units to be issued for such consideration as the Trustee, in its sole Discretion, may deem appropriate and to do such things and prepare and sign such documents, including the prospectus and any registration rights agreement, to qualify such Units for sale in whatever jurisdictions they may be sold or offered for sale;
- (m) to enter into any agreement in connection with, or to facilitate, the issuance of Exchangeable Securities (as that term is defined in the Declaration of Trust);
- (n) to determine conclusively the value of any or all of the Trust Assets from time to time and, in determining such value, to consider such information and advice as the Trustees in their sole judgment, may deem material and reliable;
- (o) to collect, sue for and receive all sums of money or other property or items that are believed due to the Trust;
- (p) to effect payment of distributions to the holders of Units as provided in Article 5 of the Declaration of Trust;
- (q) to invest funds of the Trust as provided in Article 4 of the Declaration of Trust;
- (r) if the Trustees become aware by written notice that the beneficial owners of 49% of the Units or securities exchangeable into Units then outstanding are, or may be, Non-Residents or that such situation is imminent, the Trustees shall obtain such advice as they deem appropriate in order to ascertain the tax and other implications that such level of Non-Resident ownership may have for the Trust and Unitholders and if and to the extent that they determine that such level of Non-Resident ownership would have material adverse tax or other consequences to the Trust or Unitholders, shall ensure that appropriate limitations on Non-Resident ownership as provided in Section 13.5 of the Declaration of Trust are met;
- (s) to possess and exercise all the rights, powers and privileges pertaining to the ownership of the securities of the Partnership and other securities of the Trust to the same extent that any person might, unless otherwise limited herein, and, without limiting the generality of the foregoing, to vote or give any consent, request or notice, or waive any notice, either in person or by proxy or power of attorney, with or without power of substitution, to one or more persons, which proxies and powers of attorney may be for meetings or actions generally or for any particular meeting or action and may include the exercise of discretionary power;
- (t) where reasonably required, to engage, employ or contract with or retain on behalf of the Trust any persons as agents, representatives, employees or independent contractors (including, without limitation, investment advisors, registrars, underwriters, accountants, lawyers, appraisers, brokers, consultants, technical advisors, depositories, custodians, transfer agents or otherwise) in one or more capacities;
- (u) except as prohibited by applicable law, to delegate any of the powers and duties of the Trustee to any one or more agents, representatives, officers, employees, independent contractors or other persons the doing of such things and the exercise of such powers hereunder as the Trustees may from time to time reasonably require, so long as any such delegation is not inconsistent with any of the provisions of the Declaration of Trust and the Administration Agreement and subject at all times to the general control and supervision of the Trustees as provided for in the Declaration of Trust;
- (v) to engage in, intervene in, prosecute, join, defend, compromise, abandon or adjust, by arbitration or otherwise, any actions, suits, disputes, claims, demands or other litigation or proceedings, regulatory or judicial, relating to the Trust, the assets of the Trust or the Trust's affairs, to enter into agreements therefor, whether or not any suit or proceeding is commenced or claim asserted and, in advance of any controversy, to enter into agreements regarding the arbitration, adjudication or settlement thereof;
- (w) to arrange for insurance contracts and policies insuring the Trust, its assets, any affiliate of the Trust and/or any or all of the Trustees or the Unitholders, including against any and all claims and liabilities of any nature asserted by any person arising by reason of any action alleged to have been taken or omitted by the Trust or by the Trustees or Unitholders;
- (x) to cause legal title to any of the assets of the Trust to be held by and/or in the name of a Trustees, or except as prohibited by law, by and/or in the name of the Trust or any other custodian or person, on such terms, in such manner, with such powers in such person as the Trustees may determine and with or without disclosure that the Trust or the Trustees are interested therein; provided, however, that should legal title to any of the Trust assets be held by and/or in the name of any person or persons other than the Trustees or the Trust, the Trustees shall require such person or persons to execute a trust agreement acknowledging that legal title to such assets is held in trust for the benefit of the Trust;

- (y) to redeem Units (or rights, warrants, convertible securities, options or other securities) for such consideration as the Trustees may deem appropriate in their sole Discretion, such redemption to be subject to the terms and conditions of the Declaration of Trust;
- (z) to use its reasonable commercial efforts to ensure that the Trust qualifies at all times as a “mutual fund trust” pursuant to Section 132(6) of the Tax Act and not take any action that would result in the Trust, or any entity in which the Trust has invested being considered a “SIFT trust” or a “SIFT partnership” as defined in the Tax Act;
- (aa) in addition to the mandatory indemnification provided for in Section 9.8 of the Declaration of Trust to the extent permitted by law to indemnify, or enter into agreements with respect to the indemnification of, any person with whom the Trust has dealings including, without limitation, the Trustees, or the Transfer Agent, to such extent as the Trustees shall determine and to the extent permitted by law;
- (bb) without the approval or confirmation of Unitholders, enact and from time to time amend or repeal by-laws not inconsistent with the Declaration of Trust containing provisions relating to the Trust, the Trust assets and the conduct of the affairs of the Trust, but not in conflict with any provision of the Declaration of Trust;
- (cc) to pay all taxes or assessments, of whatever kind or nature, whether within or outside Canada, imposed upon or against the Trustees in connection with the Trust assets, undertaking or Income of the Trust, or imposed upon or against the Trust assets, undertaking or Income of the Trust or Net Realized Capital Gains, or any part thereof and to settle or compromise disputed tax liabilities and for the foregoing purposes to make such returns, take such deductions, and make such designations, elections, allocations and determinations in respect of the Income of the Trust or Net Realized Capital Gains distributed to holders of Units in the year and any other matter as shall be permitted under the Tax Act and analogous provisions of any provincial income tax legislation (provided that to the extent necessary the Trustees will seek the advice of Counsel or the Auditors), and do all such other acts and things as may be deemed by the Trustees in their sole Discretion to be necessary, desirable or convenient;
- (dd) to guarantee the obligations of any subsidiary of the Trust including the Partnership, and granting security interests in the Trust assets as security for such guarantee;
- (ee) to subdivide or consolidate from time to time the issued and outstanding Units;
- (ff) to provide indemnities for the directors and officers of any affiliate of the Trust;
- (gg) to form any subsidiary of the Trust for the purpose of making any Permitted Investment (as that term is defined in the Declaration of Trust) and entering into or amending any agreement on such terms as may be approved by the Trustees;
- (hh) to purchase Units for cancellation in accordance with applicable regulatory requirements; and
- (ii) to do all such other acts and things as are incidental to the foregoing, and to exercise all powers which are necessary or useful to carry on the purpose and activities of the Trust, to promote or advance any of the purposes for which the Trust is formed and to carry out the provisions of the Declaration of Trust whether or not specifically mentioned herein.

The Trustees shall, except as may be prohibited by applicable law, have the right to delegate authority for the above-referenced matters to a manager or administrator (including AdminCo under the Administration Agreement) if the Trustees determine in their sole Discretion that such delegation is desirable to effect the administration of the duties of the Trustees under the Declaration of Trust.

Fees and Expenses

The Trustees shall be entitled to reimbursement from the Trust of any of its expenses incurred in acting as Trustee. The Trustees on behalf of the Trust may pay or cause to be paid reasonable expenses incurred in connection with the administration and management of the Trust, including without limitation fees and expenses of AdminCo pursuant to the Administration Agreement, auditors, lawyers, appraisers and other agents, consultants and professional advisers employed by or on behalf of the Trust and the cost of reporting or giving notices to Unitholders. The Trustees on behalf of the Trust may pay or cause to be paid brokerage commissions at prevailing rates in receipt of the acquisition and disposition of any securities acquired or disposed of by the Trust to brokers.

The Trustees shall be paid for their services as Trustees:

- (a) such reasonable compensation as shall be negotiated between the Trust and the Trustees;
- (b) reimbursement of the Trustees’ reasonable out-of-pocket expenses incurred in acting as the Trustees, either directly or indirectly, including the expenses referred to in Section 9.6 of the Declaration of Trust; and

- (c) fair and reasonable remuneration for services rendered to the Trust in any other capacity, which services may include, without limitation, services as the Transfer Agent.

The Trustees shall, in respect of amounts payable or reimbursable to the Trustees under the Declaration of Trust, have a priority over distributions to Unitholders in respect of amounts payable or reimbursable to the Trustees. Further, in the event the Trustees' fees and expenses are not paid within the time set out in the Trustees' invoice, the Trustees shall be entitled to pay the amounts out of the Trust Assets.

Computation of Cash Flow of the Trust

The "**Cash Flow of the Trust**", for, or in respect of, any Distribution Period, shall be equal to the sum of:

- (a) all amounts which are received by the Trust with respect to a Class of Trust Units, for or in respect of, the Distribution Period, including, without limitation, interest, dividends, distributions, proceeds from the disposition of securities, returns of capital and repayments of indebtedness (including without limitation all such amounts as aforesaid received from the Partnership as distributions with respect to the class of limited partnership units to which the Class of Trust Units relates), or any other such similar payment or distribution by the Partnership;
- (b) all amounts received by the Trust with respect to a Class of Units in any prior Distribution Period to the extent not previously distributed;

less the sum of:

- (c) all amounts used for Permitted Investments with respect to a Class of Units during the Distribution Period or set aside by the Trustees for investments;
- (d) all costs and expenses of the Trust which, in the opinion of the Trustees, may reasonably be considered to have accrued and become owing in respect of, or which relate to, the Distribution Period, or a prior period if not accrued or deducted, in determining the Cash Flow of the Trust with respect to a Class of Units in such prior period;
- (e) all debt repayments and interest costs and expenses, if any, incurred by the Trust in the Distribution Period with respect to a Class of Units;
- (f) all costs and expenses of the Trust relating to capital expenditures which, in the opinion of AdminCo, may reasonably be considered to have accrued and become owing during the Distribution Period, or a prior period if not accrued or deducted in such prior period with respect to a Class of Units;
- (g) all amounts contributed or loaned, or which the Trustees reasonably expect to contribute or loan, to an associate or affiliate of the Trust with respect to a Class of Units; and
- (h) any other amounts (including taxes) required by law or hereunder to be deducted, withheld or paid by or in respect of the Trust in the Distribution Period with respect to a Class of Units.

Computation of Income and Net Realized Capital Gains

- (a) The "**Income of the Trust**" for any taxation year of the Trust shall be the net income for the year determined pursuant to the provisions of the Tax Act (other than subsection 104(6) and paragraph 82(1)(b)) having regard to the provisions thereof which relate to the calculation of income of a trust, and taking into account such adjustments thereto as are determined by AdminCo in respect of dividends received from taxable Canadian corporations, amounts paid or payable by the Trust to Unitholders and such other amounts as may be determined in the Discretion of AdminCo; provided, however, that capital gains and capital losses shall be excluded from the computation of net income; and
- (b) the "**Net Realized Capital Gains**" of the Trust for any taxation year of the Trust shall be determined as the amount, if any, by which the aggregate of the capital gains of the Trust for the year exceeds:
 - (i) the aggregate of the capital losses of the Trust for the year calculated in accordance with the provisions of the Tax Act;
 - (ii) any capital gains which are realized by the Trust as a result of a redemption of Units pursuant to Article 6 of the Declaration of Trust and which have been designated to the redeeming Unitholders; and
 - (iii) any amount in respect of which the Trust is entitled to a capital gains refund under the Tax Act; and
 - (iv) the amount determined by the Trustees in respect of any net capital losses for prior taxation years which the Trust is permitted by the Tax Act to deduct in computing the taxable income of the Trust for the year.

Distribution of Cash Flow of the Trust

The Trustees, may on or before each Distribution Record Date, declare payable to the holders of each Class of Units on such Distribution Record Date all or any part of the Cash Flow of the Trust for the Distribution Period which includes such Distribution Record Date. The proportionate share for a Unit of each Class of the amount of such Cash Flow of the Trust to which each Class is entitled (or portion thereof declared payable) shall be determined by dividing such amount by the number of issued and outstanding Units of each Class on such Distribution Record Date. The share of such Cash Flow of the Trust (or portion thereof declared payable) to which each Class is entitled attributable to each holder of a Class of Units shall be an amount equal to the proportionate share for each Unit of a Class of the amount of such Cash Flow of the Trust (or portion thereof declared payable) to which each Class is entitled multiplied by the number of Units of a Class owned of record by each such holder of Units on such Distribution Record Date. Subject to Sections 5.7 and 5.8 of the Declaration of Trust, Cash Flow of the Trust which has been declared to be payable to holders of a Class of Units in respect of a Distribution Period shall be paid in cash on the Distribution Payment Date.

Other Distributions

- (a) In addition to the distributions which are made payable to Unitholders pursuant to Section 5.3 of the Declaration of Trust, the Trustees may declare to be payable and make distributions to Unitholders of record, from time to time, out of Income of the Trust, Net Realized Capital Gains, the capital of the Trust or otherwise, in any year, in such amount or amounts, and on such record dates as the Trustees may determine;
- (b) Having regard to the present intention to allocate, distribute and make payable to Unitholders all of the Income of the Trust, Net Realized Capital Gains and any other applicable amounts so that the Trust will not have any liability for tax under Part I of the Tax Act in any taxation year, the following amounts shall be due and payable to Unitholders of record on December 31 in each such year:
 - (i) an amount equal to the amount, if any, by which the Income of the Trust for such year exceeds the aggregate of the portions, if any, of each distribution made by the Trust pursuant to Section 5.3 and Subsection 5.4(a) of the Declaration of Trust which have been determined by the Trustees, pursuant to Section 5.5 of the Declaration of Trust, to have been payable by the Trust out of Income of the Trust of that Class of Units for such year; and
 - (ii) an amount equal to the amount, if any, by which the Net Realized Capital Gains of the Trust for such year exceeds the aggregate of the portions, if any, of each distribution made by the Trust pursuant to Section 5.3 and Subsection 5.4(a) of the Declaration of Trust which have been determined by the Trustees, pursuant to Section 5.5 of the Declaration of Trust, to have been payable by the Trust out of Net Realized Capital Gains in respect of that Class of Units for such year;
- (c) The proportionate share of each Unit of the amount of any distribution made pursuant to either or both of Subsections 5.4(a) and 5.4(b) of the Declaration of Trust shall be determined by dividing such amount by the number of issued and outstanding Units of a Class of Units on the applicable record date in respect of a distribution pursuant to Subsection 5.4(a) and on December 31 in respect of a distribution pursuant to Subsection 5.4(b). Each Unitholder's share of the amount of any such distribution shall be an amount equal to the proportionate share of each Unit of such amount multiplied by the number of Units of a Class of Units owned of record by each such Unitholder on such applicable record date or December 31 in the year of such distribution, as the case may be. Subject to Section 5.7 and Section 5.8 of the Declaration of Trust, amounts which are payable to Unitholders pursuant to either Subsection 5.4(a) or 5.4(b) shall be paid in cash on the Distribution Payment Date which immediately follows the applicable record date in respect of a distribution pursuant to Subsection 5.4(a) or shall be payable December 31 in the applicable year in respect of a distribution pursuant to Subsection 5.4(b) and shall be paid forthwith, and in no event later than January 30 of the following year, subject to Section 5.6 of the Declaration of Trust.

Character of Distributions and Designations

In accordance with and to the extent permitted by the Tax Act and analogous provisions of any provincial legislation, the Trustees in each year shall make designations in respect of the amounts payable to Trust Unitholders for such amounts that the Trustees consider to be reasonable in all of the circumstances, including, without limitation, designations relating to taxable dividends received by the Trust in the year on shares of taxable Canadian corporations (or designated in respect of the Trust where the Trust is a beneficiary of another trust), net capital gains realized by the Trust in the year (or designated in respect of the Trust where the Trust is a beneficiary of another trust) and foreign source income of and the foreign income tax paid by the Trust for the

year, as well as designations under Subsections 104(13.1) and/or (13.2) of the Tax Act that income be taxed to the Trust, rather than to such Trust Unitholders. Distributions payable to Trust Unitholders pursuant to Article 5 of the Declaration of Trust shall be deemed to be distributions of Income of the Trust, Net Realized Capital Gains, trust capital or other items in such amounts as the Trustees shall, in their absolute discretion, determine. For greater certainty, it is hereby declared that any distribution of Net Realized Capital Gains shall include the non-taxable portion of the capital gains of the Trust, which are encompassed in such distribution.

Enforceability of Right to Receive Distributions

For greater certainty, it is hereby declared that each Unitholder shall have the legal right to enforce payment of any amount payable to such Unitholder as a result of any distribution, which are payable to such Unitholder pursuant to Article 5 of the Declaration of Trust.

Method of Payment of Distributions

- (a) Where the Trustees determine that the Trust does not have available cash in an amount sufficient to make payment of the full amount of any distribution which has been declared to be payable pursuant to Article 5 of the Declaration of Trust on the due date for such payment, the payment may, at the option of the Trustees, include the issuance of additional Units, or fractions of Units, if necessary, having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution; and
- (b) the value of each Unit which is issued pursuant to Subsection 5.7(a) of the Declaration of Trust shall be ten dollars (\$10.00) per Unit.

Withholding Taxes

The Trustees may deduct or withhold from distributions payable to any Unitholder all amounts required by law to be withheld from such distributions, whether those distributions are in the form of cash, additional Units or otherwise. In the event of a distribution in the form of additional Units or property other than cash, the Trustees may sell such Units or other property of those Unitholders to pay those withholding taxes and to pay all of the Trustees' reasonable expenses with regard thereto and the Trustees shall have the power of attorney of the Unitholder to do so. Any such sale of Units or property may be made by private sale and upon that sale, the affected Unitholder shall cease to be the holder of those Units or that property. In the event that withholding taxes are exigible on any distribution or redemption amounts distributed under the Declaration of Trust and the Trust was unable to withhold taxes from a particular distribution to a Unitholder or has not otherwise withheld taxes on particular distributions to the Unitholders, the Trust shall be permitted to withhold amounts from other distributions to satisfy the withholding tax obligation. Each Unitholder, by its acceptance of Units, agrees that it shall indemnify and hold harmless the Trust for any amount required to be withheld as provided in Section 5.8 of the Declaration of Trust and that such Unitholder is entitled to subsequent distributions from the Trust only to the extent that such distributions are, in the sole opinion of the Trustees, in excess of amounts sufficient to discharge the required withholding. Each Unitholder, by its acceptance of Units, grants the Trustees the power to do so.

No Liability for Sales

The Trustees shall have no liability whatsoever to any Unitholders and no resort shall be had to the Trust Assets or the Trustees, as the case may be, for satisfaction of any obligation or claim against the Trustees or the Trust in connection with the Trust's sale of Units under any provision in the Declaration of Trust to comply with its statutory obligations to withhold and remit an amount otherwise payable to the Unitholders.

REDEMPTION OF UNITS

Right of Redemption

Each holder of Units shall be entitled to require the Trust to redeem at any time or from time to time at the demand of such holder of Units all or any part of the Units registered in the name of such holder of Units at the prices determined and payable in accordance with the terms and conditions hereinafter provided. The Trustees shall be entitled in their discretion to determine and designate whether any payments made in respect of any redemption are on account of income or capital.

1. Exercise of Redemption Right

- (a) To exercise a right to require redemption of Units under Article 6 of the Declaration of Trust, a duly completed and properly executed notice requesting the Trust to redeem Units, in a form acceptable to the Trustees, acting reasonably, specifying the identity, capacity or authority of the person giving such notice and number of Units to be so redeemed, shall be sent by a holder of Units to the Trust at the office of the

Trustees. The Trustees may request such further information or evidence, as it deems necessary, acting reasonably, to act on such redemption notice; and

- (b) Upon receipt by the Trustees on behalf of the Trust of the notice to redeem Units, the holder of Units shall thereafter cease to have any rights with respect to the Units tendered for redemption (other than to receive the redemption payment therefor unless the redemption payment is not made as provided for herein) including the right to receive any distributions thereon which are declared payable to the holders of Units of record on a date which is subsequent to the day of receipt by the Trust of such notice. Units shall be considered to be tendered for redemption on the date that the Trustees have, to their satisfaction, received the notice and other required documents or evidence as aforesaid.

2. *Cash Redemption*

- (a) Subject to Section 6.4 and Section 6.5 of the Declaration of Trust, upon receipt by the Trustees on behalf of the Trust of the notice to redeem Trust Units in accordance with Section 6.2 of the Declaration of Trust, the holder of the Trust Units tendered for redemption shall be entitled to receive a price per Trust Unit (hereinafter called the “**Redemption Price**”) determined as follows: (i) if a request for redemption occurs within 12 months of the date of issue of a Unit Certificate the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed less twelve percent (12%); and (ii) if a request for redemption occurs 12 and 24 month anniversary of the date of issue of a Unit Certificate the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed less seven percent (7%); and (iii) if the request for redemption occurs after the 24 month anniversary of the date of issue of a Unit Certificate the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed.
- (b) Subject to Section 6.4 and Section 6.5 of the Declaration of Trust, the Redemption Price payable in respect of the Units surrendered for redemption shall be satisfied by way of a cash payment on the Redemption Date.
- (c) Payments made by the Trust of the Redemption Price are conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the former holder of Units unless such cheque is dishonoured upon presentment. Upon such payment, the Trust shall be discharged from all liability to the former holders of Units in respect of the Units so redeemed.

3. *No Cash Redemption in Certain Circumstances*

The Trust shall not be required to make a payment in cash of for the Redemption Price with respect to Units tendered to for redemption pursuant to a Redemption Notice if:

- (a) in the sole opinion of the Trustees, the payment of the Redemption Price in cash by the Trust would not be in the best interest of the Trust having regard to the then current cash position of the Trust; or
- (b) the Trust, in the sole opinion of the Trustees, is able to make a cash payment with respect to the Redemption Price and the total amount payable by the Trust pursuant to Section 6.3 of the Declaration of Trust in respect of such Units tendered for redemption in the same quarter exceeds \$75,000 (the “Quarterly Limit”); provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any Fiscal Quarter. Units tendered for redemption in any Fiscal Quarter in which the total amount payable by the Trust pursuant to Subsection 6.3(b) of the Declaration of Trust exceeds the Quarterly Limit will be redeemed for cash on a pro rata basis up to the Quarterly Limit pursuant to Subsection 6.3(b) of the Declaration of Trust and, unless any applicable regulatory approvals are required, by a distribution of a Redemption Notes under Section 6.5, for the balance; or
- (c) the redemption of Units will result in the Trust losing its status as a “mutual fund trust” for the purposes of the Tax Act.

4. *Redemption Price Paid by Redemption Notes*

If, pursuant to Section 6.4 of the Declaration of Trust, a cash payment for the whole of all the Units tendered for redemption by a Unitholder is not applicable to Units tendered for redemption by a holder of Units, then the Trustees, as soon as reasonably practicable, shall advise the Unitholders in writing that the Redemption Price for the Units tendered for redemption pursuant to Section 6.2 of the Declaration of Trust will be paid in whole or in part by Redemption Notes, and such Unitholders shall have 15 Business Days from the date of the Trustees’ notice hereunder to rescind their redemption. If not rescinded, the Redemption Price shall, subject to all necessary regulatory approvals, be paid and satisfied by the Trust issuing promissory notes (“**Redemption Notes**”). Redemption Notes shall be promissory notes issued in series, or otherwise, by the Trust and issued to

redeeming Unitholders in principal amounts equal to the Redemption Price per Unit multiplied by the number of Units to be redeemed and having the following terms and conditions:

- (a) unsecured and having an interest rate that is equal to the annual average Royal Bank of Canada prime rate calculated from the day the Redemption Note is issued and such other commercially reasonable terms as the Trustees may prescribe, subject to a maximum term of five (5) years from the date of issue, as determined in the sole Discretion of the administrator of the Trust, provided that the applicable interest shall be paid in a lump sum on the maturity date of a Redemption Note;
- (b) subordinated and postponed to all senior indebtedness and which may be subject to specific subordination and postponement agreements to be entered into by the Trustees with holders of senior indebtedness;
- (c) due and payable on the fifth anniversary of the date of issuance;
- (d) subject to earlier repayment without penalty; and
- (e) subject to the other standard terms and conditions as would be included in a promissory note of this kind, as may be approved by the Trustees.

5. *Hardship Redemption*

A Unitholder, or his or her personal representative, as the case may be, shall be entitled to request the Trust to redeem (a “**Hardship Redemption**”) up to the entire amount of a Unitholder’s Units, for the Hardship Redemption Amount per Unit, at any time upon written notice (a “**Hardship Redemption Notice**”) to the head office of the Trust, in the event of the death or permanent disability of an individual Unitholder holding Units or in the event of the death or permanent disability of the spouse of an individual Unitholder holding Units or upon any act whether voluntary or involuntary of bankruptcy by an individual Unitholder holding Units. The approval of any request for a Hardship Redemption shall only occur when permitted by law and shall be at the sole and unfettered discretion of the Trustees. Where a Hardship Redemption is approved by the Trustees, the Trust shall pay the aggregate of the Hardship Redemption Amount in cash to a Unitholder within 60 days of the receipt of a Hardship Redemption Notice.

Purchase for Cancellation

The Trust may from time to time purchase for cancellation some or all of the Units (or other securities of the Trust which may be issued and outstanding from time to time) by private agreement or pursuant to tenders received by the Trust upon request for tenders addressed to all holders of record of Units.

APPOINTMENT, RESIGNATION AND REMOVAL OF THE TRUSTEES

Consent to Act

A person who is appointed as a Trustee of the Trust, must, either before or after such election or appointment, consent in writing to do so. Upon the later of a person being appointed as a Trustee and executing and delivering to the Trust a consent substantially as set forth in Section 8.1 of the Declaration of Trust, such person shall become a Trustee and shall be deemed to be a party (as a Trustee) to the Declaration of Trust.

Ceasing to Hold Office

The Trustees cease to hold office when:

- (a) they resigns or shall be declared bankrupt or insolvent or shall enter into liquidation, whether compulsory or voluntary, to wind up their affairs;
- (b) they are removed in accordance with Section 8.3 of the Declaration of Trust; or
- (c) they cease to be duly qualified to act as a Trustee as provided under Section 7.2 of the Declaration of Trust.

A resignation of a Trustee becomes effective 60 days from the date a written resignation is received by the Trust, or on the date specified in the resignation, whichever is later.

Upon a Trustee ceasing to hold office as such hereunder, such Trustee shall cease to be a party (as a Trustee) to the Declaration of Trust; provided, however, that such Trustee shall continue to be entitled to be paid any amounts owing by the Trust to that Trustee and to the benefits of the indemnity provided in the Declaration of Trust. Upon the resignation or removal of a Trustee, or upon a Trustee otherwise ceasing to be a Trustee, such Trustee shall cease to have the rights, privileges and powers of a Trustee, shall execute and deliver such documents as the successor Trustee(s) shall require for the conveyance of any Trust property, including without limitation the Trust Assets, held in such Trustee’s name, shall account to the successor Trustee(s) as they may require for all property which that Trustee holds as Trustee, and shall thereupon be discharged as a Trustee.

Removal of Trustee

The Trust Unitholders may remove any Trustee from office, by a Removal Resolution passed at a meeting of Trust Unitholders called for that purpose in accordance with the terms and conditions of the Declaration of Trust. Notice of such removal shall be provided to such Trustee no less than 15 days prior to the effective date of the removal unless otherwise agreed to in writing. A vacancy created by the removal of a Trustee may be filled by Ordinary Resolution at the meeting of Trust Unitholders at which that Trustee is removed or, if not so filled, shall be filled as set forth in accordance with the terms and conditions of the Declaration of Trust.

Vacancies

No vacancy of the office of the Trustees shall operate to annul the Declaration of Trust or affect the continuity of the Trust.

Filling Vacancies

The remaining Trustees or Trustee (as the case may be) may fill a vacancy of the resulting through the resignation or death of a Trustee without the approval of the Unitholders.

Restrictions on Trustee's Powers

In respect of any obligations that the Trust is required to assume, the Trustees will use their commercially reasonable efforts to ensure that these are in writing and contain provisions to exempt the Unitholders from any liability thereunder and to limit any such liability in respect of the Trust Assets.

Fiscal Year and Taxation Year

Each fiscal year and taxation year of the Trust shall end on December 31 of such year.

Financial Disclosure

- (a) The Trustees will send (or make available if sending is not required under applicable securities laws) to Unitholders at least 21 days prior to the date of each general meeting of Unitholders, or if no general meeting is to be held in that year within six months of the fiscal year end, the annual financial statements of the Trust, together with comparative financial statements for the preceding fiscal year, if any, and the report of the Auditors thereon referred to in Section 17 of the Declaration of Trust; and
- (b) such financial statements shall be prepared in accordance with GAAP or International Financial Reporting Standards as may be required; provided that such statements and the obligations to deliver such statements may vary from such principles to the extent required to comply with applicable securities laws or securities regulatory requirements or to the extent permitted by applicable securities regulatory authorities.

Standard of Care

The Trustees shall exercise their powers and carry out their functions hereunder as Trustees honestly, in good faith and in the best interests of the Trust and the Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. Unless otherwise required by law, the Trustees shall not be required to give bond, surety or security in any jurisdiction for the performance of any duties or obligations hereunder. The Trustees, in their capacity as Trustees, shall not be required to devote their entire time to the business and affairs of the Trust.

Conflicts of Interest

Without affecting or limiting the duties and responsibilities or the limitations and indemnities provided herein, the Trustees are hereby expressly permitted to:

- (a) be, or be an associate or an affiliate of, a person from or to whom assets of the Trust have been or are to be purchased or sold;
- (b) be, or be an associate or an affiliate of, a person with whom the Trust contracts or deals or which supplies services or extends credit to the Trust or to which the Trust extends credit;
- (c) acquire, hold and dispose of, either for its own account or the accounts of its customers, any assets not constituting part of the Trust Assets, even if such assets are of a character which could be held by the Trust, and exercise all rights of an owner of such assets as if it were not a trustee;
- (d) derive direct or indirect benefit, profit or advantage from time to time as a result of dealing with the Trust or the relationships, matters, contracts, transactions, affiliations or other interests stated in this section without being liable to the Trust or any Unitholder for any such direct or indirect benefit, profit or advantage;

- (e) the Prestige Parties may, either presently and/or in the future, be associated with other investment funds, which funds may, either presently and/or in the future, have similar investment objectives as the Trust. The Trust shall not have priority with respect to the allocation of investment opportunities or loans in or to other issuers and other investment funds may participate in such investment and loan opportunities in priority to the Trust;
- (f) the Prestige Parties may take actions to resolve a material conflict of interest without the approval of the Unitholders or the Trustees provided that each of the Prestige Parties use reasonable best efforts to resolve any such conflict of interest as equitably as possible under the prevailing facts and circumstances; and
- (g) the Trust Unitholders agree that the activities set forth in this section shall not constitute a conflict of interest or breach of fiduciary duty to the Trust or the Unitholders, the Unitholders hereby consent to such activities and the Unitholders waive, relinquish and renounce any right to participate in, and any other claim whatsoever with respect to, any such activities. The Unitholders further agree that no party referred to in this section will be required to account to the Trust or any Unitholders for any benefit or profit derived from any such activities or from such similar or competing activity or any transactions relating thereto by reason of any conflict of interest or the fiduciary relationship created by virtue of the position of any party referred to in this section unless such activity is contrary to the express terms of the Declaration of Trust or Applicable Laws.

Limitations on Liability of Trustee and Officers

- (a) The Trustees, shall not be liable to any Unitholder or any other person, in tort, contract or otherwise, in connection with any matter pertaining to the Trust or the Trust Assets, arising from the exercise by the Trustees of any powers, authorities or discretion conferred under the Declaration of Trust, including, without limitation, any action taken or not taken, in good faith in reliance on any documents that are, prima facie, properly executed, any depreciation of, or loss to, the Trust Assets incurred by reason of the sale of any asset, any inaccuracy in any evaluation provided by any other appropriately qualified person, any reliance on any such evaluation, or any action or failure to act (including failure to compel in any way any former Trustee to redress any breach of trust or any failure by the Trustees to perform their duties under the Declaration of Trust), unless such liabilities arise out of the gross negligence, wilful misconduct or fraud of the Trustees. If the Trustees have retained an appropriate expert, advisor, Counsel or the Auditors with respect to any matter connected with its duties under the Declaration of Trust or any other contract, the Trustees may act or refuse to act based on the advice of such expert, advisor, Counsel or the Auditors, and the Trustees shall not be liable for and shall be fully protected from any loss or liability occasioned by any action or refusal to act based on the advice of any such expert, advisor, Counsel or the Auditors.
- (b) subject to the standard of care set out above, the Trustees shall not be subject to any liability whatsoever in tort, contract or otherwise, in connection with Trust Assets or the affairs of the Trust, including, without limitation, in respect of any loss or diminution in value of any Trust Assets, to the Trust or to the Unitholders or to any other person for anything done or permitted to be done by the Trustees; provided that the foregoing limitation shall not apply to any liability of the Trustees that arises out of the Trustees' gross negligence, wilful misconduct or fraud. The Trustees shall not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Trust arising out of anything done or permitted or omitted to be done in respect of the execution of the duties of the office of Trustees for or in respect to the affairs of the Trust. No property or assets of the Trustees, owned in their personal capacity or otherwise, will be subject to any levy, execution or other enforcement procedure with regard to any obligations under the Declaration of Trust or under any other related agreements. No recourse may be had or taken, directly or indirectly, against the Trustees in their personal capacity. The Trust shall be solely liable therefor and resort shall be had solely to the Trust Assets for payment or performance thereof; and
- (c) any liability of the Trustees for, or in respect of, or that arises out of, or results from the Trustees' breach of the Declaration of Trust shall be limited, in the aggregate, to the amount of remuneration paid by the Trust to the Trustees under the Declaration of Trust in the twelve months immediately before the Trustees first receiving written notice of such liability; provided that the foregoing limitation shall not apply to any liability of the Trustees that arises out of the Trustees' gross negligence, wilful misconduct or fraud.

Indemnification of Trustee

The Trustees shall be fully indemnified and saved harmless out of the Trust Assets in respect of:

- (a) any liability and all losses, damages, costs, charges and expenses sustained or incurred in respect of any action, suit or proceeding that is proposed or commenced against the Trustees for or in respect of any act, omission or error in respect of the Trust and the Trustees' execution of all duties and responsibilities and exercise of all powers and authorities pertaining thereto;
- (b) all other costs, charges, taxes, penalties and interest in respect of unpaid taxes; and
- (c) all other expenses and liabilities sustained or incurred by the Trustees in respect of the administration or termination of the Trust;

unless any of the foregoing arise out of the gross negligence, wilful misconduct or fraud of the Trustees. This indemnification shall survive the termination of the Trust and the resignation or removal of the Trustees.

Notwithstanding any other provision of the Declaration of Trust, and whether such losses or damages are foreseeable or unforeseeable, the Trustees shall not be liable under any circumstances whatsoever for any (a) breach by any other party of securities law or other rule of any securities regulatory authority, (b) lost profits or (c) special, indirect, incidental, consequential, exemplary, aggravated or punitive losses or damages.

Transfer of Units

- (a) The right to transfer Units is restricted such that no Unitholder shall be entitled to transfer Units to any person unless the transfer has been approved by the Trustees and the Trustees shall have the power to restrict the transfer of the Units on the books of the Trust without liability to Unitholders or others who are thereby restricted from making a transfer;
- (b) Units shall be transferable on the register or one of the branch transfer registers only by the Unitholders of record thereof or their executors, administrators or other legal representatives or by their agents or attorneys duly authorized in writing, and only upon delivery to the Trust or to the Transfer Agent of the certificate therefor, properly endorsed or accompanied by a duly executed instrument of transfer or power of attorney and accompanied by all necessary transfer or other taxes imposed by law, together with such evidence of the genuineness of such endorsement, execution and authorization and other matters that may reasonably be required by the Transfer Agent, and no transfer of Units shall be effective or shall be in any way binding upon the Trust until the transfer has been recorded on the register or one of the branch transfer registers maintained by the Transfer Agent. Upon such delivery the transfer shall be recorded on the register or branch transfer registers and a new certificate for the Units shall be issued to the transferee and a new certificate for the balance of Units not transferred shall be issued to the transferor;
- (c) any person becoming entitled to any Units as a consequence of the death, bankruptcy or mental incompetence of any Trust Unitholder, or otherwise by operation of law, shall be recorded as the holder of such Units (and shall receive a new certificate therefor upon submission of the existing certificate for cancellation) only upon production of satisfactory evidence, but 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 notice of such death or other event has been given; and
- (d) Unit Certificates representing any number or class of Units may be exchanged without charge for Unit Certificates representing an equivalent number and class of Units in the aggregate. Any exchange of Unit Certificates may be made at the offices of the Trust or the Transfer Agent where registers are maintained for Unit Certificates pursuant to the provisions of Article 13 of the Declaration of Trust. Any Unit Certificates tendered for exchange shall be surrendered to the Trustees or appropriate Transfer Agent and then shall be cancelled.

Limitation on Non-Resident Ownership

It is in the best interest of Unitholders that the Trust always qualify as a "mutual fund trust" under the Tax Act and in order to ensure the maintenance of such status:

- (a) if determined necessary or desirable by the Trustee or AdminCo, in their sole Discretion, the Trust may from time to time, among other things, take all necessary steps to monitor the activities of the Trust and ownership of the Units. If at any time the Trust or AdminCo become aware that the activities of the Trust and/or ownership of the Units by Non-Residents may threaten the status of the Trust under the Tax Act as a "mutual fund trust", the Trust, by or through AdminCo on the Trust's behalf, is authorized to take such action as may be necessary in the opinion of AdminCo to maintain the status of the Trust as a "mutual fund

trust” including, without limitation, the imposition of restrictions on the issuance by the Trust of Units or the transfer by any Unitholder of Units to a Non-Resident and/or require the sale of Units by Non-Residents on a basis determined by AdminCo and/or suspend distribution and/or other rights in respect of Units held by Non-Residents transferred contrary to the foregoing provisions or not sold in accordance with the requirements thereof;

- (b) in addition to the foregoing provisions, the Transfer Agent may, if determined appropriate by AdminCo, establish operating procedures for, and maintain, a reservation system which may limit the number of Units that Non-Residents may hold, limit the transfer of the legal or beneficial interest in any Units to Non-Residents unless selected through a process determined appropriate by AdminCo, which may either be a random selection process or a selection process based on the first to register, or such other basis as determined by AdminCo. The operating procedures relating to such reservation system shall be determined by AdminCo. Such operating procedures may, among other things, provide that any transfer of a legal or beneficial interest in any Units contrary to the provisions of such reservation system may not be recognized by the Trust;
- (c) unless and until AdminCo has been required to do so under the terms hereof, AdminCo shall not be bound to do or take any proceeding or action with respect to this Section by virtue of the powers conferred on it hereby. AdminCo shall not be required to actively monitor the foreign holdings of the Trust. AdminCo shall not be liable for any violation of the non-resident ownership restriction, which may occur during the term of the Trust; and
- (d) AdminCo shall have the sole right and authority to make any determination required or contemplated under this Section. AdminCo shall make all determinations necessary for the administration of the provisions of this Section and, without limiting the generality of the foregoing, if AdminCo considers that there are reasonable grounds for believing that a contravention of the non-resident ownership restriction has occurred or will occur, AdminCo shall make a determination with respect to the matter. Any such determination shall be conclusive, final and binding except to the extent modified by any subsequent determination by AdminCo.

Termination of the Trust

Subject to the other provisions of the Declaration of Trust, the Trust shall continue for a term ending twenty-one (21) years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on January 9, 2014. For the purpose of terminating the Trust by such date, the Trustees shall commence winding-up the affairs of the Trust on such date as may be determined by the Trustees, being not more than two years prior to the end of the term of the Trust.

Termination with the Approval of Unitholders

The Unitholders may vote by Extraordinary Unitholder Resolution to terminate the Trust at any meeting of Trust Unitholders duly called for such purpose, following which the Trustees shall commence to wind-up the affairs of the Trust (and shall thereafter be restricted to only such activities). Such Extraordinary Unitholder Resolution may contain such directions to the Trustees as the Unitholders determine.

Procedure Upon Termination

Upon being required to commence wind-up the affairs of the Trust, the Trustees shall as soon as reasonably practicable give notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Units for cancellation and the date at which the registers of Units of the Trust shall be closed.

Powers of the Trustees Upon Termination

After the date on which the Trustees are required to commence to wind-up the affairs of the Trust, the Trustees shall undertake no activities except for the purpose of winding-up the affairs of the Trust as hereinafter provided and, for this purpose, the Trustees shall continue to be vested with and may exercise all or any of the powers conferred upon the Trustees under the Declaration of Trust.

Sale of Investments

After the date referred to in *Powers of the Trustees Upon Termination*, the Trustees shall proceed to wind-up the affairs of the Trust as soon as may be reasonably practicable and for such purpose shall, subject to any direction to the contrary in respect of a termination authorized under *Procedure Upon Termination*, sell and convert into money the assets comprising the Trust, including without limitation the Trust Assets, in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Trust, and shall in all respects act in accordance with the directions, if any, of the Unitholders (in respect of a termination authorized

under Section 14.3 of the Declaration of Trust). If the Trustees are unable to sell all of the assets which comprise part of the Trust Assets by the date set for termination, the Trustees may, subject to obtaining all necessary regulatory approvals, distribute the remaining shares or other assets directly to the holders of Units in accordance with their pro-rata interests. The Trustees shall have no liability for any amounts received provided that it shall have acted in good faith.

Distribution of Proceeds or Assets

After paying, retiring or discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Trust and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall, subject to obtaining all necessary regulatory approvals, distribute the remaining part of the proceeds of the sale of the assets together with any cash forming part of the Trust assets among the holders of each Class of Units in accordance with their pro-rata interests with respect to a Class of Units.

Further Notice to Trust Unitholders

In the event that less than all of the Unitholders have surrendered their Units for cancellation within six (6) months after the time specified in the notice referred to in Section 14.4 of the Declaration of Trust, the Trustees shall give further notice to the remaining Unitholders to surrender their Units for cancellation and if, within one year after the further notice, all the Units shall not have been surrendered for cancellation, such remaining Units shall be deemed to be cancelled without prejudice to the rights of the holders of Units comprising such Units to receive their pro-rata share of the remaining Trust Assets, without interest, and the Trustees may either take appropriate steps, or appoint an agent to take appropriate steps, to contact such Unitholders (deducting all expenses thereby incurred from the amounts to which such Unitholders are entitled as aforesaid) or, in the discretion of the Trustees, may pay such amounts into court.

Responsibility of the Trustees after Sale and Conversion

The Trustees shall be under no obligation to invest the proceeds of any sale of investments or other assets or cash forming part of the Trust assets after the date referred to in Section 14.4 of the Declaration of Trust and, after such sale, the sole obligation of the Trustees under the Declaration of Trust shall be to hold such proceeds or assets in trust for distribution under Section 14.7 of the Declaration of Trust.

General and Special Meetings of Unitholders

- (a) General meetings of the Unitholders shall be called, at a time and at a place in Canada set by the Trustees. A general meeting of the Unitholders shall be called within 18 months of the Effective Date, and thereafter within 15 months of the previous general meeting. The business transacted at such meetings shall include the presentation of the financial statements of the Trust for the preceding fiscal years, the appointment of Auditors for the ensuing years, and the transaction of such other business as Unitholders may be entitled to vote upon as hereinafter provided in Article 12 of the Declaration of Trust or as the Trustees may determine or as may be properly brought before the meeting;
- (b) Special meetings of the Unitholders may be called by the Trustees at any time and for any purpose;
- (c) Unitholders holding in the aggregate not less than 25% of all votes entitled to be voted at a meeting of Unitholders may requisition the Trustees to call a special meeting of Unitholders for the purposes stated in the requisition. The requisition shall:
 - (i) be in writing;
 - (ii) set forth the name and address of, and number of Units and Exchangeable Securities (and votes attached thereto which, in the aggregate, must not be less than 25% of all votes entitled to be voted at a meeting of Unitholders) held by each person who is supporting the requisition; and
 - (iii) shall state in reasonable detail the business to be transacted at the meeting and shall be sent to the Trustees.
 - (iv) upon receiving a requisition complying with the foregoing, the Trustees shall call a meeting of Unitholders to transact the business referred to in the requisition, unless:
 - (A) a record date for a meeting of Unitholders has been fixed;
 - (B) the Trustees have called a meeting of Unitholders and have given notice thereof pursuant to Section 12.2 of the Declaration of Trust; or
 - (C) in connection with the business as stated in the requisition:
 - (1) it clearly appears that a matter covered by the requisition is submitted by the Unitholders primarily for the purpose of enforcing a personal claim or redressing a personal grievance against the Trust, the Trustees, or the Unitholders, or primarily for the purpose of promoting general economic, political, religious,

- social or similar causes or primarily for a purpose that does not relate in a significant way to the business or affairs of the Trust;
- (2) the Trust, at the Unitholder's request, had previously included a matter substantially the same as a matter covered by the requisition in an information circular relating to a meeting of Unitholders held within 36 months preceding the receipt of such requisition and the Unitholders failed to present the matter, in person or by proxy, at the meeting;
 - (3) substantially the same matter covered by the requisition was submitted to Unitholders in an information circular relating to a meeting of Unitholders held within 36 months preceding the receipt of such requisition and the matter covered by the requisition was defeated; or
 - (4) the rights conferred by Section 12.1 are being abused to secure publicity;
- (d) if the Trustees do not, within 90 days after receiving the requisition, call a meeting (except where the grounds for not calling the meeting are one or more of those set forth in subsection (c)(iv)(C) above), any Unitholder who signed the requisition may call the meeting in accordance with the provisions of Article 12 of the Declaration of Trust, *mutatis mutandis*;
- (e) Trust Unitholders comprising not less than 80% of the Trust Unitholders listed on the register of Trust Unitholders maintained by the Trust and the holding in the aggregate not less than 80% of all votes entitled to be voted at a meeting of Trust Unitholders may requisition (a "**Removal Requisition**") the Trustees to call a meeting of Trust Unitholders for the purpose of removing a Trustee or Trustees. The Removal Requisition shall:
- (i) be in writing;
 - (ii) set forth the name and address of, and number of Trust Units (and votes attached thereto which, in the aggregate, must not be less than 80% of all votes entitled to be voted at a meeting of Trust Unitholders) held by each person who is supporting the requisition; and
 - (iii) shall state the name(s) of the Trustee or Trustees to be removed at the meeting and the name and detailed 5 year work history and professional qualifications of each party being proposed to be elected as replacement Trustee;
 - (iv) shall be sent to the Trustees in writing; and
 - (v) upon receiving a Removal Requisition complying with the foregoing, the Trustees shall call a meeting of Trust Unitholders to transact the business referred to in the Removal Requisition;
- (f) the chair of any general or special meeting shall be a person designated by the Trustees for the purpose of such meeting;
- (g) the Trustees, the Auditors and any other person approved by the Trustees or the chair of the meeting may attend meetings of the Unitholders;
- (h) any person entitled to attend a meeting of Unitholders may participate in the meeting, subject to and in accordance with applicable securities laws, if any, by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, if the Trust makes available such a communication facility. A person participating in a meeting by such means is deemed for the purposes of the Declaration of Trust to be present at the meeting; and
- (i) if the Trustees or the Unitholders call a meeting of Unitholders pursuant to the Declaration of Trust, the Trustees or Unitholders, as the case may be, may determine that the meeting shall be held, subject to and in accordance with applicable securities laws, if any, entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting.

Meetings Called Pursuant to a Removal Requisition

At any meeting of the Trust Unitholders called pursuant to a Removal Requisition, a quorum shall consist of Trust Unitholders comprising not less than 80% of the Trust Unitholders listed on the register maintained by the Trust and the holding in the aggregate not less than 80% of all votes entitled to be voted at a meeting. In the event of such quorum not being present at the appointed place on the date for which the meeting is called within 30 minutes after the time fixed for the holding of such meeting, the meeting shall be terminated.

The removal of a Trustee as provided in of the Declaration of Trust which resolution (a "**Removal Resolution**") must be passed by a not less than 80% of the Trust Unitholders listed on the register of Trust Unitholders maintained by the Trust and the holding in the aggregate not less than 80% of all votes entitled to be voted at a meeting.

Voting Rights of Unitholders

Only Unitholders of record shall be entitled to vote and each Unit shall entitle the holder or holders of that Unit on a poll vote at any meeting of Unitholders to the voting rights. Every question submitted to a meeting shall, unless a poll vote is demanded, be decided by a show of hands vote, on which every person present and entitled to vote shall be entitled to one vote per Unit held by such person. At any meeting of Unitholders, any holder of Units entitled to vote thereat may vote by proxy and a proxy-holder need not be a Unitholder, provided that no proxy shall be voted at any meeting unless it shall have been received by the Transfer Agent for verification at least 24 hours prior to the commencement of such meeting, or such lesser time as the chairman of the meeting may allow. 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 purporting to be executed by or on behalf of a Unitholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger.

Permitted Amendments

The provisions of the Declaration of Trust, except where specifically provided otherwise, may only be amended by Extraordinary Unitholder Resolution; provided that the provisions of the Declaration of Trust may also be amended by the Trustees without the consent, approval or ratification of the Unitholders or any other person at any time:

- (a) for the purpose of ensuring continuing compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the Trustees or the Trust;
- (b) in a manner which provides additional protection for the Unitholders or to obtain, preserve or clarify the provision of desirable tax treatment to the Unitholders;
- (c) ensuring that the Trust will satisfy the provisions of the Tax Act with respect to retaining its qualification as a “mutual fund trust”, pursuant to subsection 132(6) of the Tax Act, as the Tax Act may be amended from time to time;
- (d) to ensure that the Trust is not considered a “SIFT trust” as defined in the Tax Act;
- (e) in a manner which, in the opinion of the Trustees supported by opinion of Counsel, is necessary or desirable as a result of changes in Canadian taxation laws;
- (f) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion or advice of counsel, necessary or desirable and not prejudicial to the Unitholders; or
- (g) to change the status of, or the laws governing, the Trust which, in the opinion of Counsel, is desirable in order to provide Unitholders with the benefit of any legislation limiting their liability,

but notwithstanding the foregoing, no such amendment shall modify the voting rights of any Unit or reduce the fractional undivided interest in the Trust assets represented by any Trust Unit without the consent of the holder of such Unit, and no amendment shall reduce the percentage of votes required to be cast at a meeting of the Unitholders for the purpose of this section without the consent of the holders of all of the Units then outstanding.

Notification of Amendment

As soon as shall be practicable after the making of any amendment pursuant to Section 11.1 of the Declaration of Trust and in any event not later than the date the Trust is required to provide the financial disclosure in Section 16.7 of the Declaration of Trust the Trustees shall furnish written notification of the substance of such amendment to each Unitholder.

SUMMARY OF THE ADMINISTRATION AGREEMENT

This is a summary only and is subject to the complete terms and conditions of the Administration Agreement dated January 12, 2015, and amended and restated on March 4, 2015. Pursuant to the terms of the Administration Agreement, AdminCo will provide administrative and support services to, and be responsible for the general administration of the affairs of the Trust, including without limitation the following:

Administrative Expenses and Administration Fees

Pursuant to the terms of the Administration Agreement, AdminCo will provide administrative and support services to, and be responsible for the general administration of the affairs of the Trust, including without limitation the following:

- (a) keep and maintain at its offices in Calgary, Alberta at all times books, records and accounts which shall contain particulars of operations, receipts, disbursements and investments relating to the Trust assets and such books, records and accounts shall be kept pursuant to normal commercial practices that will permit

the preparation of financial statements in accordance with Canadian generally accepted accounting principles which, shall also be in accordance with those required to be kept by the Trust under the Tax Act and the Income Tax Regulations applicable with respect thereto, all as amended from time to time;

- (b) undertake any matters required by the terms of the Declaration Trust to be performed by the Trustees, which are not otherwise delegated therein and generally provide all other services as may be necessary or as requested by the Trustees for the management and administration of the Trust;
- (c) provide advice and assistance to the Trustees with respect to the performance of the obligations of the Trust and the enforcement of the rights of the Trust under all agreements entered into by the Trust;
- (d) assist the Trustees in making all determinations necessary for the discharge of the Trustees' obligations under the Declaration of Trust;
- (e) retain and monitor, on behalf of the Trustees, a transfer agent and other persons serving the Trust;
- (f) provide or cause to be provided such audit, accounting, engineering, legal, insurance and other professional services as are reasonably required or desirable for the purposes of the Trust and provide or cause to be provided such legal, engineering, financial and other advice and analysis as the Trustees may require or desire to permit them to make informed decisions in connection with the discharge by them of their responsibilities as Trustees, to the extent such advice and analysis can be reasonably provided or arranged by AdminCo;
- (g) authorize and pay on behalf of the Trust operating expenses incurred on behalf of the Trust and negotiate contracts with third party providers of services (including, but not limited to, transfer agents, legal counsel, auditors and printers);
- (h) provide, for the purposes of performing its services under the Administration Agreement, office space, telephone, office equipment, facilities, supplies and executive, secretarial, bookkeeping, general accounting and clerical services;
- (i) deal with banks and other institutional lenders, including in respect of maintenance of bank records and the negotiation and securing of bank financing or refinancing or one or more credit or debt facilities, hedging or swap facilities or other ancillary facilities in respect of the Trust or any entity in which the Trust holds any direct or indirect interest;
- (j) take all actions reasonably necessary in connection with, or in relation to, directly or indirectly, the borrowing of money from or incurring indebtedness by the Trust to any person and in connection therewith, to cause the Trust to guarantee, indemnify or act as a surety with respect to payment or performance of any indebtedness, liabilities or obligation of any kind of any person, including, without limitation, AdminCo and any subsidiary (as defined in the *Securities Act* (Alberta)) of the Trust; to enter into any other obligations on behalf of the Trust; or enter into any subordination agreement on behalf of the Trust or any other person, and to assign, charge, pledge, hypothecate, convey, transfer, mortgage, subordinate, and grant any security interest, mortgage or encumbrance over or with respect to all or any of the Trust Assets or to subordinate the interests of the Trust in the Trust Assets to any other person;
- (k) take all actions reasonably necessary in connection with, or in relation to, the guarantee by the Trust of obligations of any affiliate of the Trust pursuant to any debt for borrowed money or obligations resulting or arising from hedging instruments incurred by the affiliate and pledging securities issued by the affiliate as security for such guarantee provided that such guarantee is incidental to the Trust's direct or indirect investment in the affiliate or the business and affairs (existing or proposed) of the affiliate, and each such guarantee entered into by the Trustee shall be binding upon, and enforceable in accordance with its terms against, the Trust;
- (l) prepare and provide to the Trustees for their review and approval all annual audited financial statements of the Trust, income tax returns and filings in sufficient time prior to the dates upon which they must be delivered to Unitholders and/or filed so that the Trustees have a reasonable opportunity to review and approve them, execute them and return them to AdminCo, and arrange for their delivery to Unitholders and/or filing within the time required by applicable law;
- (m) assist the Trustees in computing distributions to Unitholders pursuant to the Declaration of Trust, including calculating Cash Flow of the Trust (as defined in the Declaration of Trust) and facilitate payment of distributions properly declared payable by the Trust;
- (n) ensure compliance by the Trust with all applicable securities laws, including in relation to the Offering of securities of the Trust;
- (o) prepare on behalf of the Trust any circular or other disclosure document required under applicable securities legislation with respect to an offer to acquire securities of another person or in response to an offer to purchase Units;
- (p) call and hold all annual and/or special meetings of Unitholders pursuant to the Declaration of Trust and prepare for approval by the Trustees and arrange for the distribution of all materials (including notices of meetings, information circulars and instrument of proxy) in respect thereof;

- (q) prepare and provide or cause to be provided to Unitholders on a timely basis all information to which Unitholders are entitled under the Declaration of Trust and under Applicable Laws, including, if required, financial statements and tax information relating to the Trust;
- (r) obtain and pay for the costs of liability insurance for the protection of the Trust and its affiliates, and their respective trustees, directors and officer against such risks, to such limits and with such deductibles and such other terms as are approved by the Trustees from time to time;
- (s) attend to all administrative and other matters arising in connection with any redemptions or retractions of Units;
- (t) in the event that withholding taxes are exigible on any distributions or redemption amounts distributed under the Declaration of Trust or any other agreement, AdminCo shall withhold the withholding taxes required and shall promptly remit such taxes to the appropriate taxing authority. In the event that withholding taxes are exigible on any distributions or redemption amounts distributed under the Declaration of Trust or any other agreement and AdminCo is, or was, unable to withhold taxes from a particular distribution to a Unitholder or has not otherwise withheld taxes on past distributions to a Unitholder, AdminCo shall be permitted to withhold amounts from other distributions to satisfy AdminCo's withholding tax obligations;
- (u) monitor the tax status of the Trust, including without limitation compliance with Subsection 108(2) and 132(6) of the Tax Act, provide information to the Trustees regarding the taxable portions of distributions and provide the Trustees with written notice when the Trust ceases or is at risk of ceasing to be such a mutual fund trust;
- (v) ensure that the Trust elects in the prescribed manner and within the prescribed time under subsection 132(6.1) of the Tax Act to be a "mutual fund trust" within the meaning of that Act since inception, assuming the requirements for such election are met and ensure that the Trust elects under the analogous provisions of any applicable provincial tax legislation;
- (w) take all actions reasonably necessary with respect in connection with, or in relation to, those matters referred to in the Declaration of Trust in connection with, or in relation to all rights, powers, voting and privileges pertaining to any investments in the Trust Assets;
- (x) provide advice with respect to the timing and terms of future offerings of securities of the Trust, if any;
- (y) recommend, monitor, carry out and provide any services reasonably necessary in connection with any acquisitions or divestitures of any portion of the Trust Assets;
- (z) assist in connection with any offerings of Units, including preparing any prospectus or comparable documents of the Trust to qualify the distribution of securities of the Trust from time to time; and
- (aa) approve the form of certificate representing the Units from time to time and certify such certificates from time to time on behalf of the Trust.

AdminCo must exercise the powers and discharge the duties conferred under the Administration Agreement honestly, in good faith and in the best interests of the Trust and the Partnership and exercise the degree of care, diligence and skill that a reasonably prudent trustee in Canada having responsibilities of a similar nature would exercise in comparable circumstances.

Termination Option of the Trust

In the event that the Partnership Trustees are removed as Trustees of the Trust pursuant to terms and conditions of the Declaration of Trust, the Trust shall have the option for a period of 30 days from the date of such removal, exercisable upon five (5) days written notice, to terminate this Agreement.

Administrative Expenses and Administration Fees

Pursuant to the Administration Agreement, AdminCo will be reimbursed by the Trust, without duplication, for such expenses (including, without limitation, salary, wages and other forms of compensation paid to employees engaged in rendering services under the Administration Agreement, and out-of-pocket expenses (collectively, the "Expenses")) incurred by AdminCo as are, in the opinion of AdminCo, acting reasonably, reasonably allocable respectively thereto.

AdminCo shall act as the Trust's agent when incurring the Expenses and shall be reimbursed for all such Expenses, such reimbursement to be made within 15 days of the Trust receiving an invoice therefor from AdminCo. Such invoice shall set out the details of the Expenses and the sales or excise taxes (including GST) incurred by AdminCo in relation thereto.

In addition, AdminCo shall be entitled to the payment of a fee from the Trust for the services provided by AdminCo under the Administration Agreement in the amount of \$500 per year plus applicable GST, commencing in 2015, which fee shall be paid by the Trust on or before December 31 of each year during the term of the Administration Agreement.

Pursuant to the Funding Agreement, the Partnership shall pay AdminCo all fees and expenses payable to AdminCo pursuant to the terms of the Administration Agreement.

Banking

The banking business of the Trust, or any part thereof, shall be transacted with such bank, trust company, Alberta Treasury Branches or other firm or corporation carrying on a banking business as AdminCo may designate, appoint or authorize from time to time and all such banking business, or any part thereof, shall be transacted on the Trust's behalf by AdminCo and/or other persons as the Trustee may (upon written notice to the Trust's bankers) designate, appoint or authorize from time to time including, but without restricting the generality of the foregoing, the operation of the Trust's accounts; the making, signing, drawing, accepting, endorsing, negotiation, lodging, depositing or transferring of any cheques, promissory notes, drafts, acceptances, bills of exchange and orders for the payment of money; the giving of receipts for and orders relating to any property of the Trust; the execution of any agreement relating to any property of the Trust; the execution of any agreement relating to any property of the Trust; the execution of any agreement relating to any such banking business and defining the rights and powers of the parties hereto; and the authorizing of any officer of such banker to do any act or thing on the Trust's behalf to facilitate such banking business.

SUMMARY OF THE FUNDING AGREEMENT

This is a summary only and is subject to the complete terms and conditions of the Funding Agreement.

The Partnership has agreed to pay all costs of the Offering and all costs incurred by the Trust in connection thereto and in connection with the transactions described in the Offering Memorandum including without limitation, all costs incurred by the Trust in the administration of investors in the Trust on a post-closing basis.

SUMMARY OF THE PARTNERSHIP AGREEMENT

The following is a summary of the Partnership Agreement amended and restated limited partnership agreement dated March 4, 2015. This is a summary only and is subject to the complete terms and conditions of the Partnership Agreement. Additional terms of the Partnership Agreement are referenced in Item 2.1 under the heading the "The Partnership" and in Item 2.2 under the heading "The Partnership".

Issuance of LP Units

The General Partner is authorized to, in its Discretion, cause the Partnership to issue at any time and from time to time LP Units as follows:

- (i) An aggregate of 500,000 Class A Units;
- (ii) An aggregate of 50,818,714 Class B, Class C, Class D, Class E, Class F, Class G, Class H, Class I, Class J, Class K, Class L, Class M, Class N, and Class O LP Units on such terms and conditions of the offering and sale of such Units as the General Partner, in its Discretion, may determine including accepting payment of consideration therefore in the form of cash, property and/or past services, and may do all things in that regard, including preparing and filing prospectuses, offering memoranda and other documents.

The General Partner may do all things necessary or advisable in connection with the issue of LP Units from time to time including determining the requirements for a satisfactory subscription form, preparing and filing prospectuses, offering memoranda and other documents, paying the expenses of issue and entering into agreements with any Person for a commission or fee.

Upon acceptance by the General Partner of any subscription for LP Units, all Partners are deemed to consent to the admission of the subscriber as a Limited Partner, the General Partner will cause the Register to be amended, and such other documents as may be required by the Partnership Act or under legislation similar to the Partnership Act in other provinces or the territories to be filed or amended, specifying the prescribed information and will cause the foregoing information in respect of the new Limited Partner to be included in Partnership books and records.

Redemption of Units by the Partnership:

Right of Redemption of Class B, Class C, Class D, Class E, Class F, and Class G LP Units

Limited Partners holding Class B, Class C, Class D, Class E, Class F and Class G LP Units shall be entitled to require the Partnership, on written demand of by such a Limited Partner, to redeem all or any part of the above described classes of LP Units registered in the name of such Limited Partner for the following consideration (the “LP Unit Redemption Price”):

- (i) If the request for redemption occurs within 12 months of the date of issue of a LP Unit certificate the LP Unit Redemption Price shall be the LP Net Asset Value per Unit to be redeemed less twelve percent (12%) of such Value; or
- (ii) If the request for redemption occurs between the 12 and 24 month anniversary of the date of issue of a LP Unit certificate the LP Unit Redemption Price shall be the LP Net Asset Value per Unit to be redeemed less seven percent (7%) of such Value; and
- (iii) If the request for redemption occurs after the 24 month anniversary of the date of issue of a LP Unit certificate the LP Unit Redemption Price shall be the LP Net Asset Value per Unit to be redeemed.

Limited Liability

- (a) the General Partner is not personally liable for the return of any Capital Contribution made by a Limited Partner to the Partnership;
- (b) subject to the terms of the Partnership Agreement, the General Partner will not be liable to a Limited Partner for any act, omission or error in judgment taken or made hereunder by the General Partner honestly and in good faith in the conduct of the business of the Partnership.
- (c) the General Partner may rely, and is protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.
- (d) the General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted in reliance upon the opinion (including, without limitation, an opinion of counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person’s professional or expert competence will be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.
- (e) the General Partner may exercise any of the powers or authority granted to it by the Partnership Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents (as contemplated in the Partnership Agreement), and the General Partner is not responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.
- (f) any standard of care or duty imposed under the Partnership Act or any applicable law shall be modified, waived or limited as required to permit the General Partner to act under the Partnership Agreement or any other agreement contemplated by the Partnership Agreement and to make any decision pursuant to the power or authority prescribed in the Partnership Agreement, so long as such action is reasonably believed by the General Partner to be in, or not opposed to, the best interests of the Partnership.

Indemnity of General Partner

To the fullest extent permitted by law but subject to the limitations expressly provided in the Partnership Agreement, each General Partner, any former General Partner (a “**Departing Partner**”), any Person who is or was an Affiliate of the General Partner or any Departing Partner, any Person who is or was an officer, director, employee, partner, agent or trustee of the General Partner or any Departing Partner or any such Affiliate, or any Person who is or was serving at the request of the General Partner or any Departing Partner or any such Affiliate as a director, officer, employee, partner, agent or trustee of another Person (collectively, an “**Indemnitee**”) is indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities (joint or several), expenses (including, without limitation, legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as: (i) the General Partner, a Departing Partner or any of their Affiliates; (ii) an officer, director, employee, partner, agent or trustee of the General Partner, any Departing Partner or any of their Affiliates; or (iii) a Person serving at the request of the General Partner, any Departing Partner or any of their Affiliates as a director, officer, employee, agent or trustee of another Person; provided, that in each case the Indemnitee acted in good faith, in a manner which such Indemnitee believed to be in, or not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful.

The termination of any action, suit or proceeding by judgment, order, settlement or conviction does not create a presumption that the Indemnatee acted in a manner contrary to that specified above. Any indemnification is to be made only out of the assets of the Partnership.

To the fullest extent permitted by law, expenses (including, without limitation, legal fees and expenses) incurred by an Indemnatee in defending any claim, demand, action, suit or proceeding are to be, from time to time, advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of an undertaking by or on behalf of the Indemnatee to repay such amount if it is determined that the Indemnatee is not entitled to be indemnified as authorized in this Section.

The indemnification provided by this Section is in addition to any other rights to which an Indemnatee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, both as to actions in the Indemnatee's capacity as: (i) the General Partner, a Departing Partner or an Affiliate thereof, (ii) an officer, director, employee, partner, agent or trustee of the General Partner, any Departing Partner or an Affiliate thereof, or (iii) a Person serving at the request of the General Partner, any Departing Partner or any of their Affiliates as a director, officer, employee, agent or trustee of another Person, and shall continue as to an Indemnatee who has ceased to serve in such capacity and as to actions in any other capacity.

The Partnership may purchase and maintain insurance (or reimburse the General Partner or its Affiliates for the cost of insurance), on behalf of the General Partner and such other Persons as the General Partner determines, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities, whether or not the Partnership would have the power to indemnify such Person against such liabilities under the provisions of the Partnership Agreement.

Powers, Duties and Obligations of the General Partner

(a) The General Partner has:

- (i) unlimited liability for the debts, liabilities and obligations of the Partnership;
- (ii) subject to the terms of the Partnership Agreement, and to any applicable limitations set forth in the Act and applicable similar legislation, the full and exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of the Partnership; and
- (iii) the full and exclusive right, power and authority to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary for or incidental to carrying out the business of the Partnership.

An action taken by the General Partner on behalf of the Partnership is deemed to be the act of the Partnership and binds the Partnership.

(b) Notwithstanding any other agreement the Partnership or the General Partner may enter into, all material transactions or agreements entered into by the Partnership must be approved by the board of directors of the General Partner.

Specific Powers and Duties of the General Partner

Without limiting the generality of the foregoing the General Partner has full power and authority for and on behalf of and in the name of the Partnership to:

- (a) negotiate, execute and perform all agreements which require execution by or on behalf of the Partnership involving matters or transactions with respect to the Partnership's business (and such agreements may limit the liability of the Partnership to the assets of the Partnership, with the other party to have no recourse to the assets of the General Partner, even if the same results in the terms of the agreement being less favourable to the Partnership);
- (b) open and manage bank accounts in the name of the Partnership and spend the capital of the Partnership in the exercise of any right or power exercisable by the General Partner hereunder;
- (c) borrow funds in the name of the Partnership from time to time, from financial institutions or other lenders as the General Partner may determine without limitation with regard to amount, cost or conditions of reimbursement of such loan;
- (d) guarantee the debts, liabilities and obligations of a third party;
- (e) mortgage, charge, assign, hypothecate, pledge or otherwise create a security interest in all or any property of the Partnership now owned or hereafter acquired, to secure any present and future borrowings and related expenses of the Partnership and to sell all or any of such property pursuant to a foreclosure or other realization upon the foregoing encumbrances;

- (f) see to the sound management of the Partnership, and to manage, control and develop all the activities of the Partnership and take all measures necessary or appropriate for the business of the Partnership or ancillary thereto;
- (g) acquire, maintain, improve, upgrade, expand or dispose of the assets of the Partnership from time to time;
- (h) incur all costs and expenses in connection with the Partnership;
- (i) employ, retain, engage or dismiss from employment, personnel, agents, representatives or professionals or other investment participants with the powers and duties upon the terms and for the compensation as in the Discretion of the General Partner may be necessary or advisable in the carrying on of the business of the Partnership;
- (j) engage agents or subcontract administrative functions, to assist the General Partner to carry out its management obligations to the Partnership;
- (k) invest cash assets of the Partnership that are not immediately required for the business of the Partnership in investments which the General Partner considers appropriate;
- (l) act as attorney in fact or agent of the Partnership in disbursing and collecting moneys for the Partnership, paying debts and fulfilling the obligations of the Partnership and handling and settling any claims of the Partnership;
- (m) commence or defend any action or proceeding in connection with the Partnership;
- (n) file returns or other documents required by any governmental or like authority;
- (o) retain legal counsel, experts, advisors or consultants as the General Partner considers appropriate and rely upon the advice of such Persons;
- (p) do anything that is in furtherance of or incidental to the business of the Partnership or that is provided for in the Partnership Agreement;
- (q) execute, acknowledge and deliver the documents necessary to effectuate any or all of the foregoing or otherwise in connection with the business of the Partnership;
- (r) obtain any insurance coverage; and
- (s) generally carry out the objectives, purposes and business of the Partnership.

No Person dealing with the Partnership is required to enquire into the authority of the General Partner to do any act, take any proceeding, make any decision or execute and deliver any instrument, deed, agreement or document for or on behalf of or in the name of the Partnership. The General Partner may insert, and may cause agents of the Partnership to insert, the following clause in any contracts or agreements to which the Partnership is a party or by which it is bound:

“Prestige Hospitality Opportunity Fund - I LP is a limited partnership formed under the *Partnership Act* (Alberta), a limited partner of which is only liable for any of its liabilities or any of its losses to the extent of the amount that it has contributed or agreed to contribute to its capital and its pro rata share of any undistributed income.”

Removal of the General Partner

The General Partner may not be removed as general partner of the Partnership, except as follows:

- (a) the occurrence of any of the following events which has not been cured by the General Partner within thirty (30) days of the occurrence thereof:
 - (i) the passing of any resolution of the directors or shareholders of the General Partner requiring or relating to the bankruptcy or the making of any assignment for the benefit of creditors of the General Partner (or the commencement of any act or proceeding in connection with any of the foregoing which is not contested in good faith by the General Partner); or
 - (ii) the appointment of a receiver of all or substantially all of the assets and undertakings of the General Partner;
- (b) the occurrence of any gross negligence, wilful misconduct or fraud on the part of the General Partner.
- (c) the passing of a resolution by the Limited Partners as follows:
 - (i) an Extraordinary Limited Partner Resolution approved through the votes cast in person or by proxy at a duly constituted meeting of Limited Partners holding Class B, Class C, Class D, Class E, Class F Class G Units, Class H , Class I , Class J , Class K , Class L, Class N or Class O Units or at any adjournment thereof called in accordance with this Agreement and representing 80% or more of the votes attaching to the Limited Partners holding Class B, Class C, Class D, Class E, Class F, Class G, Class H , Class I , Class J , Class K , Class L, Class N or Class O Units cast in person or by proxy in accordance with the terms and conditions of the Partnership Agreement; or

- (ii) a written resolution in one or more counterparts signed by Limited Partners holding Class B, Class C, Class D, Class E, Class F, Class G, Class H, Class I, Class J, Class K, Class L, Class N or Class O Units representing in the aggregate 80% or more of the votes attaching to the above described Units in accordance with the terms and conditions of the Partnership Agreement;

Upon the occurrence of any of the events enumerated in subparagraphs (a) and (b) above and the passing of a Special Resolution by the Limited Partners for the removal of the General Partner or the passing of an Extraordinary Limited Partner Resolution as provided for in subparagraph (c) above, the General Partner shall be removed as the General Partner of the Partnership effective upon the appointment of a new general partner and acceptance of such appointment. Any such action by the Limited Partners for removal of the General Partner must also provide for the election and succession of a new general partner.

Transfer of LP Units

No Limited Partner may transfer any of the LP Units owned by it except to Persons under the manner expressly permitted in the Partnership Agreement. Any attempted transfer of LP Units made in violation of the Partnership Agreement will be null and void and the General Partner will not approve any transfer of LP Units made in contravention of the Partnership Agreement.

Powers Exercisable by Special Resolution

The following powers are only exercisable by Special Resolution passed by the Limited Partners:

- (a) dissolving the Partnership, except as otherwise provided for under Section 11.2(b) of the Partnership Agreement;
- (b) removing the General Partner and electing a new general partner as provided in Section 8.12 of the Partnership Agreement;
- (c) the sale of all or substantially all of the assets of the Partnership;
- (d) amending, modifying, altering or repealing any Special Resolution previously passed by the Limited Partners;
- (e) amending the Partnership Agreement pursuant to Section 12.1 of the Partnership Agreement; and
- (f) determining to reconstitute the Partnership under Section 11.4 of the Partnership Agreement.

AMENDMENT AND APPROVAL

Amendment Procedures

Except as provided for below under the heading “*Amendment by General Partner*”, all amendments to the Partnership Agreement are to be made in accordance with the following requirements. To be valid for the purposes hereof, each such proposal must contain the text of the proposed amendment. If an amendment is proposed, the General Partner will seek the approval of the Limited Partners by a Special Resolution.

Amendment Requirements

Notwithstanding the provisions of Article 12 of the Partnership Agreement, no amendment to the Partnership Agreement may: (i) reduce the term of the Partnership; (ii) give any Person the right to dissolve the Partnership, other than the General Partner’s right to dissolve the Partnership with the approval of the Limited Partners by a Special Resolution; or (iii) modify the amendment provisions in Article 12 of the Partnership Agreement, without the express prior written consent of the General Partner, which consent may be unreasonably withheld.

Amendment by General Partner

Each Limited Partner agrees that the General Partner without the approval of any Limited Partner may amend any provision of the Partnership Agreement, and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

- (a) a change in the name of the Partnership or the location of the principal place of business of the Partnership or the registered office of the Partnership;
- (c) admission, substitution, withdrawal or removal of Limited Partners in accordance with the Partnership Agreement;
- (d) a change that, in the sole Discretion of the General Partner, is reasonable and necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership in which the Limited Partners have limited liability under the applicable laws;
- (e) a change that, in the sole Discretion of the General Partner, is reasonable and necessary or appropriate to enable Partners to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; and

- (f) a change that, in the sole Discretion of the General Partner, does not materially adversely affect the Limited Partners in any respect.

Notice of Amendments

The General Partner will notify the Limited Partners in writing of the full details of any amendment to the Partnership Agreement within 30 days of the effective date of the amendment.

Meetings of Limited Partners

The General Partner may call a general meeting of Limited Partners at such time and place as it deems appropriate in its absolute Discretion for the purpose of considering any matter set forth in the notice of meeting. In addition, where Limited Partners holding not less than 50% of the outstanding LP Units (the “**Requisitioning Partners**”) give notice signed by each of them to the General Partner, requesting a meeting of the Limited Partners and stating the proposed business to be transacted at the meeting in reasonable detail sufficient to give valid notice, the General Partner will, within 45 days of receipt of such notice, convene such meeting, and if it fails to do so, any Requisitioning Partners may convene such meeting by giving notice in accordance with the Partnership Agreement. Every meeting of Limited Partners, however convened, must be conducted in accordance with the Partnership Agreement.

Voting Procedure

Every question submitted to a meeting of Limited Partners shall be decided by a poll. In the case of an equality of votes, the chairman does not have a casting vote and the resolution is deemed to be defeated. On any vote at a meeting of Limited Partners, a declaration of the chairman concerning the result of the vote is conclusive.

Term

The term for which the Partnership is to exist until December 31, 2099 or upon the occurrence of any of the following events prior to December 31, 2099: until dissolved or wound-up by the express written mutual agreement of the Limited Partners or until upon the occurrence of any of the following events or dates, whereupon the Partnership will follow the procedure for dissolution established in Section 11.4 of the Partnership Agreement:

- (a) the election of the General Partner to dissolve the Partnership, if approved by a Special Resolution;
- (b) the removal or resignation of the General Partner unless the General Partner is replaced as provided in Sections 8.12 or 8.13 of the Partnership Agreement; or
- (c) except as otherwise provided herein, any event which causes the dissolution of a limited partnership under the laws of the Province of Alberta.

Events of Dissolution

Notwithstanding the above terms, the Partnership will be dissolved upon the occurrence of any of the following events:

- (a) the Partnership is dissolved or wound-up by the express written mutual agreement of the Partners; or
- (b) upon the occurrence of any of the following events:
 - (i) the election of the General Partner to dissolve the Partnership, if approved by a Special Resolution;
 - (ii) the removal or resignation of the General Partner unless the General Partner is replaced as provided in the Partnership Agreement; or
 - (iii) except as otherwise provided herein, any event which causes the dissolution of a limited partnership under the laws of the Province of Alberta.

Procedure on Dissolution

Upon an event of dissolution occurring as referenced above, the General Partner or such other Person as may be appointed by Ordinary Resolution of the Limited Partners, will act as receiver and liquidator of the assets of the Partnership and is empowered hereby to:

- (a) sell or otherwise dispose of such part of the Partnership’s assets as the receiver considers appropriate;
- (b) pay or provide for the payment of the debts and liabilities of the Partnership and liquidation expenses;
- (c) if there are any assets of the Partnership remaining, distribute such remaining to the Limited Partners in accordance with the terms and conditions with respect to distributions of Distributable Cash as provided for in Item 2.1.2 - “The Partnership - Distributable Cash of the Partnership” herein;
- (d) file the notice of dissolution prescribed by the Act and satisfy all applicable formalities in such circumstances as may be prescribed by the laws of other jurisdictions where the Partnership is registered. In addition, the General Partner will give prior notice of the dissolution of the Partnership by mailing to each Limited Partner

- such notice at least 21 days prior to the filing of the declaration of dissolution prescribed by the Partnership Act (Alberta); and
- (e) file any elections, determinations or designations under the Tax Act or under any similar legislation which may be necessary or desirable.

SUMMARY OF A HOSPITALITY MANAGEMENT AGREEMENT

The following is a summary of the material terms of the Hospitality Management Agreement. The terms below are also a summary of the terms of the London/Waterloo Hospitality Management Agreement to be entered into between the Partnership and Hospitality Management Corp. upon the acquisition of the London and Waterloo Hotels by the Partnership.

Reference below to “Manager” is to a Hospitality Subsidiary and includes reference to Hospitality Management Corp. In the case of the London/Waterloo Hospitality Management Agreement, the term “Hotel Property” refers to the Partnership’s Interest in the London and Waterloo Hotels.

Term. The term of a Hospitality Management Agreement shall be five years and may be renewed for successive periods of five (5) years upon mutual written agreement.

Management Services. The Manager will provide all business, administrative, management, safety and supervisory services (the “Management Services”) required from time to time to the Partnership to enable it to carry on the operation of the Hotel Property (the “Business”), as directed by the Partnership from time to time including, without limitation, the provision of the following items as are considered reasonably necessary for the conduct of the Business:

- (a) engage the services of certain personnel for the purpose of carrying out the Business;
- (b) arrange financing as may be required to carry out the Business;
- (c) provide management and finance services required to manage, administer, assess and grow the Business in accordance with the objectives of the Partnership, as directed from time to time hereunder; and
- (d) management, administrative and business services as are necessary and appropriate for the day to day administration of the Business.

Authority of Manager. The Manager shall have the responsibility and commensurate authority to provide Management Services to the Partnership. Subject to the terms and conditions of this Agreement, the Manager is hereby expressly authorized to provide the Management Services in any reasonable manner the Manager deems appropriate to meet the day to day requirements of the Business.

Contracting. The Manager is expressly authorized to negotiate and execute all contracts relating to the provision of the Management Services on behalf of the Partnership. The Manager shall negotiate all contractual arrangements with third parties as are reasonably necessary and appropriate for the Manager’s provision of Management Services.

Accounting and Financial Records. The Manager shall establish and administer accounting procedures, controls, as directed by the Partnership and the time records of the Partnership’s employees.

Reports and Records. The Manager shall create, prepare, and file such reports and records as are reasonably necessary and appropriate for the Business, and shall be prepared to analyze and interpret such reports and records upon the request of the Partnership.

Engagement. The Manager shall provide to the Partnership personnel satisfactory to the Partnership, for such tasks as the Partnership may reasonably request be provided to it in connection with the operation and management by the Manager of the Business. The Manager shall at all times act and rely upon any notice regarding the requirements of the Partnership from time to time received by it. The Manager shall use reasonable efforts to ensure that the personnel provided hereunder possess the skills necessary to perform the tasks required of them by the Partnership.

Responsibilities of Manager. The Manager shall coordinate and supervise the retention of and shall oversee the selection, hiring, training, supervision and termination of all personnel to enable the Manager to perform its duties and obligations under this agreement.

Management Fees. In consideration of the provision of Management Services, the Partnership shall pay the Manager, an amount equal to two percent (2%) of the Partnership’s gross revenues from the operation of the Business as determined in accordance with GAAP, plus GST (the “Management Fee”). The Management Fee shall be invoiced by the Manager on the last day of each month during the term of this agreement, commencing the first month of operations of the Business.

Payment of Management Fees. If at the time of receiving an invoice for the Management Fee, the Partnership's stated earning amount before interest, taxes, depreciation and amortization ("EBITDA") as determined by GAAP as set out in the Partnership's most recently compiled quarterly financial statements is less than the amount of the said invoice, the Partnership shall be entitled to delay payment for such amount until the date that is 30 days following the completion by the Partnership of a quarterly financial statement showing EBITDA greater than an amount equal to such invoice plus all previously issued and unpaid Management Fee invoices.

Goods and Services Tax. The Partnership and the Manager acknowledge and agree that although the Manager generally acts in a supervisory and consultative capacity hereunder, there may be certain Management Services provided by the Manager hereunder that the Parties recognize may be subject to the Goods and Services Tax ("GST") and for which Manager may have a legal obligation to collect such taxes from the Partnership and to remit the same to the Canada Revenue Agency.

Reimbursement of Direct Costs. In consideration of the provision of Management Services the Partnership agrees to pay all Direct Costs incurred by the Manager on its behalf, in accordance with this Agreement. "Direct Costs" means all out-of-pocket costs incurred by the Manager hereunder, including for greater certainty the following:

- (a) all reasonable third party costs, disbursements and expenses of or incidental to the Business;
- (b) the expense of using, leasing, purchasing or otherwise procuring the related equipment and supplies, including depreciation; and
- (c) overhead or general expenses of the Business.

Direct Costs do not include the following (which will be paid directly by the Manager): the salaries, benefits and other direct costs of all directors, officers, employees and consultants of the Manager.

Operator Defaults. It shall be an event of default by the Partnership or the General Partner in acting on behalf of the Partnership hereunder if any one or more of the following events shall occur (each, an "Operator Default"):

- (a) the failure of the Partnership or the General Partner in acting on behalf of the Partnership to pay any sum of money to the Manager when due and payable under this agreement, if such failure is not cured within ten (10) days after the General Partner receives written notice specifying such failure from the Manager; or
- (b) any act or omission by the Partnership or the General Partner in acting on behalf of the Partnership which results in the termination of, or a material default under, any material agreement associated with the Business or any loan to which the Partnership or General Partner is a party and, in the event of a default, such default is not cured within the period of time (if any) prescribed under the applicable agreement and which, in either case, will have a material adverse effect on the operation of the Business.

Manager Defaults. It shall be an event of default by the Manager hereunder if any one or more of the following events shall occur (each, a "Manager Default"):

- (a) the failure of the Manager to pay any sum of money to the Partnership when due and payable under this agreement, if such failure is not cured within ten (10) business days after the Manager receives written notice specifying such failure from the Partnership;
- (b) the failure of the Manager to perform, keep or fulfill any of its other covenants, undertakings or obligations set forth in this agreement, if such failure has or could reasonably be expected to have a material adverse effect on the operation of the Business or the ability of the Manager to perform its obligations under this agreement and such failure is not cured within 45 days after written notice specifying such failure is received by the Manager from the Partnership; provided, however, that if such failure is not reasonably capable of cure within such period, and the Manager commences to cure such default during such period and thereafter prosecutes such cure to completion with all due diligence, then no Manager Default shall exist while the Manager continues to diligently prosecute such cure;
- (c) proven unlawful conduct or fraud in connection with the management of the Business or the provision of any Management Services by (i) a shareholder, director, executive or senior officer of the Manager, or (ii) by any other employee of the Manager which, in either case, is reasonably likely to subject the Partnership to a financial loss or penalty in excess of \$10,000 or other material sanction from any governmental authority; or
- (d) any act or omission by the Manager which results in the termination of, or a material default under, any material agreement associated with the Business or any loan to which the Partnership or General Partner is a party and, in the event of a default, such default is not cured within the period of time (if any) prescribed under the applicable agreement and which, in either case, will have a material adverse effect on the operation of the Business.

SUMMARY OF THE MARKETING AGREEMENTS

The following is a summary of the material terms of the Marketing Agreements.

Reference to the term “Services” below shall refer to all services provide by Prestige Capital to the Trust and the Partnership pursuant to the terms of these agreements as summarized below.

Prestige Capital will structure and implement the Offering, and in connection therewith will provide the following services to the Partnership and the Trust:

- coordinating and overseeing the preparation, printing, and distribution of the Trust Units and the LP Units including acting as liaison with legal counsel and accounting advisors to assist with the foregoing;
- overseeing the offering and sale of the Trust Units and the LP Units and the completion of all matters related to the closing of subscriptions, acting as liaison with and supervising the payment of financial agents and securities dealers;
- responding to inquiries from exempt market dealers and their dealing representatives, investors and others as they may arise from time to time;
- preparing and filing all reports required in the jurisdictions in which Trust Units and the LP Units have been sold in order to comply with applicable securities legislation;
- managing public relations for the Partnership and the Trust including public advertisements for Offering, communication with investors, communicating project updates and organizing the distribution of the Trust and the Partnership’s financial statements as required; and
- completing all such other tasks and matters as may be necessary in respect of the foregoing.

Investor Communications and Reporting

Prestige Capital will provide the following investor communication and reporting services to the Trust and Partnership:

- establishing and maintaining a register for all holders of Trust Units and the LP Units;
- processing all documentation relating to transfers of Trust Units and the LP Units LP Units, including corresponding with former and new holders of Trust Units and the LP Units in that regard;
- reporting to holders of Trust Units and the LP Units on an ongoing basis;
- distributing financial and other reports to holders of Trust Units and the LP Units;
- attending to all arrangements necessary for meetings of the holders of LP Units; and
- responding to all inquiries by holders of Trust Units and the LP Units.

Service Requirements

In providing the Services, Prestige Capital will use reasonable commercial efforts to perform its duties and responsibilities under these agreements and will:

- act in a conscientious and reasonable manner, honestly and in good faith;
- comply with and observe all laws and regulations which apply to the Trust and the Partnership including those laws that apply to the offering and distribution of the Trust Units and the LP Units;
- comply with and observe all instructions and directions given to it by the Trust and the Partnership; and
- devote sufficient time and attention to carry out its duties as required hereunder.

Appointment as Agent

The Trust and the Partnership confer on Prestige Capital the authority to act as the Trust and the Partnership’s agent, for the purpose of making all agreements, signing all documents and doing all other acts and things that will be necessary for Prestige Capital to discharge its responsibilities, duties and obligations under these agreements. The Trust and the Partnership agree to be bound by all agreements, documents and acts made or taken by Prestige Capital pursuant to the provisions of these agreements.

Term

Subject earlier termination on terms provided for under these agreements, the terms of each agreement will continue in full force and effect for a period of ten (10) years and thereafter maybe renewed for two (2) consecutive periods of five (5) years each upon mutual agreement between the parties.

Termination by the Trust and the Partnership

These agreements may be terminated by the Trust and the Partnership in the event that:

- a bankruptcy, receivership or liquidation order is issued against Prestige Capital;

- Prestige Capital makes an assignment for the benefit of creditors or commits any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada);
- Prestige Capital assigns either agreement or its rights or obligations hereunder to any person who is not an affiliate of Prestige Capital without the prior written consent of the Trust or the Partnership;
- Prestige Capital commits a breach or default under the agreements and the same is not cured within 90 days of Prestige Capital receiving notice thereof; or
- the Trust or the Partnership gives Prestige Capital 60 days prior written notice of its intention to terminate either of the agreements.

Termination by the Manager

These agreements may be terminated by Prestige Capital in the event that:

- a bankruptcy, receivership or liquidation order is issued against the Trust or the Partnership;
- the Trust or the Partnership makes an assignment for the benefit of the Trust or the Partnership's creditors or commit any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada); or
- Prestige Capital gives the Trust or the Partnership 60 day's prior written notice of its intention to terminate either of the agreements.

PCI Marketing Fee

The Trust and the Partnership will pay to Prestige Capital a fee (the "PCI Marketing Fee") equal to the costs incurred by Prestige Capital with respect to the marketing, promotional, administrative and operating expenses incurred by PRESTIGE CAPITAL with respect to the Offering including without limitation the wages or fees payable to employees and/or contractors of Prestige Capital who provide Services to the Trust and the Partnership on behalf of Prestige Capital together with costs incurred by Prestige Capital in managing the relationship between the Trust and the Partnership and investors in the Offering. The PCI Marketing Fee will not exceed four percent (4%) of the gross amount of funds raised from the sale of the Trust Units and the LP Units. Prestige Capital covenants with the Trust and the Partnership that no director or shareholder of Prestige Capital will be compensated by Prestige Capital from the PCI Marketing Fee paid by the Trust and the Partnership to Prestige Capital pursuant to these agreements.

The PCI Marketing Fee shall be due and payable to Prestige Capital on each closing date under the Offering or such other time as shall be mutually agreed to between the parties hereto.

During the 2015 calendar year the Partnership paid Prestige Capital \$86,042 in the aggregate with respect to the PCI Marketing Fee.

SUMMARY OF LONDON HOTEL AND WATERLOO HOTEL PURCHASE AGREEMENTS

See Item 2.2 – "Our Business – London Hotel Purchase Agreement" and Item 2.2 – "Our Business – Waterloo Hotel Purchase Agreement"

SUMMARY OF LONDON HOTEL AND WATERLOO HOTEL JOINT VENTURE AGREEMENTS

See Item 2.2 – "Our Business – London Hotel Joint Venture Agreement" and Item 2.2 – "Our Business – Waterloo Hotel Joint Venture Agreement"

SUMMARY OF LONDON HOTEL AND WATERLOO HOTEL MANAGEMENT AGREEMENTS

See Item 2.2 – "Our Business – London Hotel Management Agreement" and Item 2.2 – "Our Business – Waterloo Hotel Management Agreement"

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ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 COMPENSATION AND SECURITIES HELD

3.1.1 THE TRUST

The following table sets out information about each of the Trustees of the Trust and each person who, directly or indirectly, beneficially owns or controls ten percent (10%) or more of any Units (the “**Principal Holder**”). Where the Principal Holder is not an individual, the following table provides the name of any person that directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the Principal Holder:

| Name and municipality of principal residence | Position held and date of obtaining that position | Compensation paid by the Trust since inception and the compensation anticipated to be paid in current financial year | Number, type and percentage of securities of the Trust held after completion of the Minimum Offering | Number, type and percentage of securities of the Trust held after completion of the Maximum Offering |
|---|---|--|--|--|
| Saleem Budhwani Calgary, Alberta | Trustee since January 9, 2015 | Nil | Nil | Nil |
| Naushad (Jim) Jiواني Calgary, Alberta | Trustee since January 9, 2015 | Nil | Nil | Nil |
| Arif Amlani Calgary, Alberta | Trustee since January 9, 2015 | Nil | Nil | Nil |
| Curtis Potyondi High River, Alberta | Trustee since January 9, 2015 | Nil | Nil | Nil |
| Prestige Hospitality Opportunity Fund - I AdminCo Inc. Calgary, Alberta | Administrator since January 12, 2015 | \$500 ⁽¹⁾ | Nil | Nil |

(1) AdminCo receives \$500 per year from the Partnership as the Administration Fee pursuant to the terms of the Administration Agreement.

3.1.2 THE GENERAL PARTNER

The following table sets out information about each of the directors and executive officers of the General Partner and each person or entity who, directly or indirectly, beneficially owns or controls ten percent (10%) or more of any voting shares of the General Partner (a “**Principal Holder**”). Where the Principal Holder is not an individual, the following table provides the name of any person that directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the Principal Holder. The General Partner has completed its second financial year and no compensation has been paid since its inception:

| Name and municipality of principal residence | Position held and date of obtaining that position | Compensation paid by the General Partner since inception and the compensation anticipated to be paid in current financial year | Number, type and percentage of securities of the General Partner held after completion of the Minimum Offering | Number, type and percentage of securities of the General Partner held after the completion of the Maximum Offering |
|---|---|--|--|--|
| Naushad (Jim) Jiواني ⁽¹⁾⁽⁴⁾ Calgary, Alberta | President and Director since July 31, 2014 | Nil | Nil | Nil |
| Saleem Budhwani ⁽¹⁾⁽⁴⁾ Calgary, Alberta | Vice-President and Director since July 31, 2014 | Nil | Nil | Nil |

| Name and municipality of principal residence | Position held and date of obtaining that position | Compensation paid by the General Partner since inception and the compensation anticipated to be paid in current financial year | Number, type and percentage of securities of the General Partner held after completion of the Minimum Offering | Number, type and percentage of securities of the General Partner held after the completion of the Maximum Offering |
|--|--|--|--|--|
| Arif Amlani ^{(1) (4)} Calgary, Alberta | Vice-President, Secretary and Director since July 31, 2014 | Nil | Nil | Nil |
| Curtis Potyondi ⁽⁴⁾ High River, Alberta | Director and Shareholder since December 12, 2014 | ⁽²⁾ \$57,386 | 20 Class A Common Shares (20%) | 20 Class A Common Shares (20%) |
| Prestige Hospitality Investment Corp. Calgary, Alberta | Shareholder ⁽³⁾ | Nil | 80 Class A Common Shares (80%) | 80 Class A Common Shares (80%) |

- (1) Each of the above individuals are officers and/or directors and/or shareholders (either directly or through holding companies) in each of the Prestige Parties. Certain Prestige Parties (Prestige Capital - the PCI Marketing Fee and Hospitality Management Corp. - the Hospitality Management Fee) will receive compensation from the Partnership. None of the above individuals, other than Mr. Potyondi (see note (2) below) will receive any personal compensation with respect to compensation paid to the Prestige Parties.
- (2) Mr. Potyondi is also a director and shareholder of AdminCo and is an officer of Prestige Capital. Mr. Potyondi will be paid bonuses and salary from funds paid by the Partnership to Prestige Capital for marketing services provided by Prestige Capital to the Partnership and the Trust with respect to this Offering. See Item 2.5 - “Summary of Material Agreements - The Partnership - Summary of The Marketing Agreements”. In 2015 Mr. Potyondi was paid \$57,386 in salary and bonuses by Prestige Capital from the PCI Marketing Fee.
- (3) The officers and directors of the General Partner, other than Mr. Potyondi, are the controlling shareholders of Hospitality.
- (4) Each of the above parties is an officer and director, and either personally or through their respective holding corporations, is a shareholder of Hospitality Management Corp. Hospitality Management Corp. is entitled to payment by the Partnership of the Hospitality Management Fee with respect to the Partnership’s joint venture interest in each of the London and Waterloo Hotels. See Item 2.2 - “Our Business – London/Waterloo Hospitality Management Agreement”.

3.2 MANAGEMENT EXPERIENCE

The names and principal occupations of the Trustees for the past five (5) years are set forth below. Subscribers should note that the individuals below are also the sole officers and directors of the General Partner and AdminCo.

| Name And Position | Principal Occupation And Related Experience |
|---|---|
| Naushad (Jim) Jiواني - Trustee President and Director of AdminCo and the General Partner | See Item 2.2 - “Our Business - Prestige Hospitality Group”. |
| Saleem Budhwani - Trustee Vice President and Director of AdminCo and the General Partner | See Item 2.2 - “Our Business - Prestige Hospitality Group”. |
| Arif Amlani C.A. - Trustee Vice President, Secretary and Director of AdminCo and the General Partner | See Item 2.2 - “Our Business - Prestige Hospitality Group”. |

| Name And Position | Principal Occupation And Related Experience |
|---|---|
| Curtis Potyondi - Trustee Director of AdminCo and the General Partner | See Item 2.2 - “Our Business - Prestige Hospitality Group”. |

3.3 PENALTIES, SANCTIONS AND BANKRUPTCY

There is no penalty or sanction that has been in effect during the last ten (10) years, and no cease trade order that has been in effect for a period of more than 30 consecutive days during the last ten (10) years, against the Trustees or any executive officer, director or control person of AdminCo nor the General Partner nor against an issuer of which any of the foregoing was an executive officer, director or control person at the time.

No declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, has been in effect during the last ten (10) years with regard to the Trustees or any executive officer, director or control person of, the Trust, AdminCo nor the General Partner nor any issuer of which any of the foregoing was an executive officer, director or control person at that time.

ITEM 4 - CAPITAL STRUCTURE

4.1 TRUST’S CAPITAL

The following table sets out the capitalization of the Trust as at January 27, 2016, both before and after giving effect to this Offering.

| Description of Security | Number Authorized to be Issued | Number Outstanding as at the date hereof | Number Outstanding After Maximum Offering |
|-------------------------|--------------------------------|--|--|
| Class B - F Units | unlimited | 1,203,908 Class B Units 111,112 Class C Units 1,511,504 Class E Units 199,334 Class F Units | 50,506,015 (rounded) Units representing gross proceeds of \$50,000,000 |

4.2 PARTNERSHIP CAPITAL

The following table sets out the capitalization of the Partnership as at January 27, 2016.

| Description of Security | Number Authorized to be Issued | Number Outstanding as at the date hereof | Number Outstanding After Maximum Offering |
|-------------------------|--------------------------------|--|---|
| Class A LP Units | 500,000 | 500,000 | 500,000 ⁽¹⁾ Class A LP Units |
| Class B-O LP Units | 50,818,714 | 3,025,858 | 50,506,015 (rounded) Class B - O LP Units ⁽²⁾ |

(1) Represents LP Units acquired by Hospitality and Potyondi.

(2) Represents LP Units to be acquired by the Trust (Class B - G LP Units) and any Class G - O LP Units acquired by investors in the Partnership other than the Trust.

4.3 LONG-TERM DEBT

(a) The Trust

As of the date of this Offering Memorandum, the Trust has no debt.

(b) The Partnership

As of the date of this Offering Memorandum, the Partnership has no debt.

It is anticipated that upon the acquisition of the Hotel Properties, the Partnership will incur mortgage loans (the “Loans”) of up to 75% of the purchase price or appraised value of the Hotel Properties. Mortgage lenders for the Loans are expected to be banks, life insurance companies and pension funds unrelated to the Partnership. Such

Loans will generally be for terms of one (1) to ten (10) years, with fixed interest rates calculated with reference to the interest rate on a government bond with a similar term, plus an amount determined in accordance with market factors. The Loans will be secured by mortgages registered on the Hotel Properties in respect of which the Loans were advanced.

Acquisition of the London Hotel

Vendor Financing: Palm Holdings Canada shall provide the London Hotel Joint Venture with a loan with respect to the acquisition of the London Hotel in the amount of \$2,500,000 at an interest rate of 9.5% per annum. \$500,000 shall be payable on March 31, 2016 and \$2,000,000 on October 31, 2016. This loan shall be guaranteed by the General Partner. This loan may be pre-paid without penalty. This loan will be secured by mortgage and general security agreement subordinate to acquisition financing security. The Trust intends to use funds raised under this Offering to repay its 85% obligation of this loan. The Trust may borrow funds from the Trustees to repay this loan and thereafter use funds raised from this Offering to repay any such loan from the Trustees.

Acquisition Financing: The Trust anticipates that the London Hotel Joint Venture will obtain a loan to a maximum amount of \$8,700,000 to fund the cash to close with respect to the acquisition of the London Hotel. The Trust anticipates that the interest rate under this loan will be 4.2% per annum and is anticipated to be for a term of 2 years. The loan is expected to include monthly payment of principal and interest thereunder. The amount of the monthly payments under this loan are not known to the Trust at this time. The General Partner and the Partnership are expected to guarantee 85% of this principal amount of this loan.

Acquisition of the Waterloo Hotel

Acquisition Financing: The Trust anticipates that Waterloo Hotel Joint Venture will obtain a loan to a maximum amount of \$13,125,000 to fund the cash to close with respect to the acquisition of the Waterloo Hotel. The terms of this loan are not known by the Trust at this time. The General Partner and the Partnership are expected to guarantee 85% of this principal amount of this loan.

4.4 PRIOR SALES

The Trust

In the last 12 months, the following Class B Trust Units of the Trust have been issued:

| Date of issuance | Type of security issued | Number of securities issued | Price per security | Total funds received |
|-------------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|
| July 15, 2015 | Class B Trust Unit | 503,702 | \$0.90 | \$453,331.80 |
| August 5, 2015 | Class B Trust Unit | 116,739 | \$0.90 | \$105,065.10 |
| August 20, 2015 | Class B Trust Unit | 44,443 | \$0.90 | \$39,998.70 |
| August 20, 2015 | Class B Trust Unit | 11,578 | \$0.95 | \$10,999.10 |
| September 20, 2015 | Class B Trust Unit | 163,297 | \$0.95 | \$155,132.15 |
| October 20, 2015 | Class B Trust Unit | 141,386 | \$0.95 | \$134,316.70 |
| November 5, 2015 | Class B Trust Unit | 21,600 | \$0.95 | \$20,520.00 |
| November 20, 2015 | Class B Trust Unit | 36,846 | \$0.95 | \$35,003.70 |
| December 5, 2015 | Class B Trust Unit | 77,784 | \$0.95 | \$73,894.80 |
| December 21, 2015 | Class B Trust Unit | 86,533 | \$0.95 | \$82,206.35 |
| Total | | 1,203,908 | | \$1,110,468.40 |

In the last 12 months, the following Class C Trust Units of the Trust have been issued:

| Date of issuance | Type of security issued | Number of securities issued | Price per security | Total funds received |
|-------------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|
| July 15, 2015 | Class C Trust Unit | 111,112 | \$0.90 | \$100,000.80 |

In the last 12 months, the following Class E Trust Units of the Trust have been issued:

| Date of issuance | Type of security issued | Number of securities issued | Price per security | Total funds received |
|-------------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|
| July 15, 2015 | Class E Trust Unit | 637,845 | \$0.90 | \$574,060.50 |
| August 5, 2015 | Class E Trust Unit | 240,342 | \$0.90 | \$216,307.80 |
| August 20, 2015 | Class E Trust Unit | 104,350 | \$0.95 | \$99,132.50 |
| September 20, 2015 | Class E Trust Unit | 53,860 | \$0.95 | \$51,167.00 |
| November 5, 2015 | Class E Trust Unit | 84,213 | \$0.95 | \$80,002.35 |
| November 20, 2015 | Class E Trust Unit | 82,146 | \$0.95 | \$78,038.70 |
| December 5, 2015 | Class E Trust Unit | 94,731 | \$0.95 | \$89,994.45 |
| December 21, 2015 | Class E Trust Unit | 214,017 | \$0.95 | \$203,316.15 |
| Total | | 1,511,504 | | \$1,392,019.45 |

In the last 12 months, the following Class F Trust Units of the Trust have been issued:

| Date of issuance | Type of security issued | Number of securities issued | Price per security | Total funds received |
|-------------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|
| July 15, 2015 | Class F Trust Unit | 199,334 | \$0.90 | \$179,400.60 |

The Partnership

The Partnership issued one (1) Class A LP Unit (for \$1.00) to the initial limited partner (Potyondi) on August 11, 2014.

The Partnership issued 400,000 Class A LP Units (for \$1.00 per Class A LP Unit) to Hospitality and 100,000 Class A LP Units (for \$1.00 per Class A LP Unit) to Potyondi prior to the first issuance of Trust Units under this Offering.

In the last 12 months, the following Class B LP Units of the Partnership have been issued:

| Date of issuance | Type of security issued | Number of securities issued | Price per security | Total funds received |
|-------------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|
| August 6, 2015 | Class B LP Unit | 503,702 | \$0.90 | \$453,331.80 |
| August 15, 2015 | Class B LP Unit | 116,739 | \$0.90 | \$105,065.10 |
| August 20, 2015 | Class B LP Unit | 44,443 | \$0.90 | \$39,998.70 |
| August 20, 2015 | Class B LP Unit | 11,578 | \$0.95 | \$10,999.10 |
| September 20, 2015 | Class B LP Unit | 163,297 | \$0.95 | \$155,132.15 |

| Date of issuance | Type of security issued | Number of securities issued | Price per security | Total funds received |
|-------------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|
| October 20, 2015 | Class B LP Unit | 141,386 | \$0.95 | \$134,316.70 |
| November 5, 2015 | Class B LP Unit | 21,600 | \$0.95 | \$20,520.00 |
| November 20, 2015 | Class B LP Unit | 36,846 | \$0.95 | \$35,003.70 |
| December 5, 2015 | Class B LP Unit | 77,784 | \$0.95 | \$73,894.80 |
| December 21, 2015 | Class B LP Unit | 86,533 | \$0.95 | \$82,206.35 |
| Total | | 1,203,908 | | \$1,110,468.40 |

In the last 12 months, the following Class C LP Units of the Partnership have been issued:

| Date of issuance | Type of security issued | Number of securities issued | Price per security | Total funds received |
|-------------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|
| August 6, 2015 | Class C LP Unit | 111,112 | \$0.90 | \$100,000.80 |

In the last 12 months, the following Class E LP Units of the Partnership have been issued:

| Date of issuance | Type of security issued | Number of securities issued | Price per security | Total funds received |
|-------------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|
| August 6, 2015 | Class E LP Unit | 637,845 | \$0.90 | \$574,060.50 |
| August 15, 2015 | Class E LP Unit | 240,342 | \$0.90 | \$216,307.80 |
| August 20, 2015 | Class E LP Unit | 104,350 | \$0.95 | \$99,132.50 |
| September 20, 2015 | Class E LP Unit | 53,860 | \$0.95 | \$51,167.00 |
| November 5, 2015 | Class E LP Unit | 84,213 | \$0.95 | \$80,002.35 |
| November 20, 2015 | Class E LP Unit | 82,146 | \$0.95 | \$78,038.70 |
| December 5, 2015 | Class E LP Unit | 94,731 | \$0.95 | \$89,994.45 |
| December 21, 2015 | Class E LP Unit | 214,017 | \$0.95 | \$203,316.15 |
| Total | | 1,511,504 | | \$1,392,019.45 |

In the last 12 months, the following Class F LP Units of the Partnership have been issued:

| Date of issuance | Type of security issued | Number of securities issued | Price per security | Total funds received |
|-------------------------|--------------------------------|------------------------------------|---------------------------|-----------------------------|
| August 6, 2015 | Class F LP Unit | 199,334 | \$0.90 | \$179,400.60 |

ITEM 5 - SECURITIES OFFERED

5.1 TERMS OF SECURITIES

Price per Unit: \$0.95 per Unit until March 16, 2016, after which the price per Unit will increase to \$1, subject to the following: the Trustees, in their sole Discretion, may at any time without notice increase the price per Unit under this Offering.

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. Each Unit shall entitle the holder thereof to one vote at any meeting of the Unitholders or in respect of any written resolution of Unitholders and represents an equal undivided beneficial interest in any distribution from the Trust (whether of income, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up of the Trust. All Units shall rank among themselves equally and rateably without discrimination, preference or priority, whatever may be the actual date or terms of issue thereof.

Each Unit is transferable (subject to the terms of the Declaration of Trust and applicable securities laws) and is not subject to any conversion or pre-emptive rights.

Each holder of Units shall be entitled to require the Trust, on the demand of such holder of Units, to redeem all or any part of the Units registered in the name of such holder of Units at the Redemption Price. See Item 2.5 – “Material Agreements – Summary of the Declaration of Trust – Redemption of Units” for the specific terms of Unitholder’s rights of redemption. The Units do not represent a traditional investment and should not be viewed by investors as “shares” in the Trust. The Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

The price per Unit will not be a function of anticipated distributable income from the Trust and the ability of the Trust to effect long-term growth in the value of the Trust. Instead, the value of the Units will be a function of the Trust’s ability to generate income and effect long-term growth in the value of the Partnership and other entities now or hereinafter owned, directly or indirectly, by the Trust. See Item 8 - “Risk Factors”.

The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Limited Liability

The Declaration of Trust provides that no Unitholder, in its capacity as such, shall incur or be subject to any liability, direct or indirect, absolute or contingent, in contract or in tort or of any other kind to any person, and no resort will be had to, nor will recourse or satisfaction be sought from, the private property of any Unitholder for any liability whatsoever in connection with the Trust’s assets, the obligations or the activities or affairs of the Trust, any actual or alleged act or omission of the Trustee, any transaction entered into by the Trustee or any taxes, levies, imposts or charges or fines, penalties or interest in respect thereof payable by the Trust. In the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder’s share of the Trust’s assets represented by its Units.

The Declaration of Trust provides that the Trustees, AdminCo, on behalf of the Trust, must make all reasonable efforts to include as a specific term of any obligations or liabilities being incurred by the Trust or the Trustees or AdminCo on behalf of the Trust, a contractual provision to the effect that none of the Unitholders, the Trustees or AdminCo shall have any personal liability or obligations in respect thereof. The omission of any such statement shall not render any of such parties liable to any person for such omission.

Notwithstanding the terms of the Declaration of Trust, Unitholders may not be protected from liabilities of the Trust to the same extent a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Trust (to the extent that claims are not satisfied by the Trust) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. See Item 8 - “Risk Factors”.

The activities of the Trust and the Partnership, will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the Unitholders for claims against the Trust, including by obtaining appropriate insurance, where available and to the extent commercially feasible, for the operations of the Partnership and having contracts signed by or on behalf of the Trust include a provision that such obligations are not binding upon Unitholders personally.

Distributions

AdminCo shall, on or before each Distribution Record Date, declare payable to the Unitholders on such Distribution Record Date all or any part of the Cash Flow of the Trust for the Distribution Period.

The Declaration of Trust provides that December 31 of each year, the Trust’s income that has not otherwise been distributed will be payable for such amount that the Trust will not be liable for ordinary income taxes for such year. The Trustees, on behalf of the Trust, will review the Trust’s distribution policy from time to time. The actual amount of cash, if any, distributed will be dependent on various economic factors and is at the Discretion of the Trustees.

It is currently intended that the Trust will make Distributions to Unitholders in the form of additional Units or cash or a combination of Units and cash, as determined by the Trustees, in their sole Discretion, from time to time. Any Units issued to Unitholders pursuant to a distribution in specie will be subject to resale and transfer restrictions and cannot be resold or transferred except as permitted by applicable securities law. The Trustees may, in their sole and unfettered Discretion, consolidate the Units outstanding immediately after any such distribution of additional Units.

Distributions

The Trustees shall, on or before each Distribution Record Date, declare payable to the Unitholders on such Distribution Record Date all or any part of the Distributable Income of the Trust for the Distribution Period that has not been distributed during that period.

“Distributable Income” shall have the meaning;

- (i) in the case of Class “B” Trust Units of the distributions of income or capital received by the Trust from the Class B LP Units of the Partnership acquired by the Trust less proportionate expenses as contemplated in Section 5.1(b) of the Declaration of Trust; or
- (ii) in the case of Class “C” Trust Units of the distributions of income or capital received by the Trust from the Class C LP Units of the Partnership acquired by the Trust less proportionate expenses as contemplated in Section 5.1(b) of the Declaration of Trust; or
- (iii) in the case of Class “D” Trust Units of the distributions of income or capital received by the Trust from the Class D Units of the Partnership acquired by the Trust less proportionate expenses as contemplated in Section 5.1(b) of the Declaration of Trust; or
- (iv) in the case of Class “E” Trust Units of the distributions of income or capital received by the Trust from the Class E LP Units of the Partnership acquired by the Trust less proportionate expenses as contemplated in Section 5.1(b) of the Declaration of Trust; or
- (v) in the case of Class “F” Trust Units of the distributions of income or capital received by the Trust from the Class F LP Units of the Partnership acquired by the Trust less proportionate expenses as contemplated in Section 5.1(b) of the Declaration of Trust; or
- (vi) in the case of Class “G” Trust Units of the distributions of income or capital received by the Trust from the Class G LP Units of the Partnership acquired by the Trust less proportionate expenses as contemplated in Section 5.1(b) of the Declaration of Trust.

The Declaration of Trust provides that on December 31 of each year, the Trust’s income that has not otherwise been distributed will be payable for such amount that the Trust will not be liable for ordinary income taxes for such year. The Trustees, on behalf of the Trust, will review the Trust’s distribution policy from time to time. The actual amount of cash, if any, distributed will be dependent on various economic factors and is at the discretion of the Trustees.

Distributions by the Partnership

For the purposes of this Section the capitalized terms below will have the following meaning:

“Proportionate Share of Distributable Cash” of the Class A, Class B, Class C, Class D, Class E, Class F and Class G LP Units is the sum determined by multiplying the aggregate amount of Distributable Cash which the General Partner wishes to distribute by the fraction in which the numerator is the number of LP Units issued and outstanding in any one of the above Classes of LP Units on the date of the proposed distribution and the denominator is the aggregate number of all issued and outstanding LP Units in the above Classes at that time;

Distributable Income of the Trust is expected to be comprised solely of Partnership Distributable Cash and other distributions that the Trust receives from the Partnership as a holder of Class B-G Units. The following are the terms of the Partnership Agreement with respect to allocations of Partnership Distributable Cash:

Distributions of Partnership Distributable Cash shall be made by the General Partner as follows:

- (i) with respect to the General Partner, 0.01% thereof;
- (ii) the Class A Proportionate Share of Distributable Cash to the holders of Class A Units in accordance with their Class A Proportionate Share;
- (iii) the Class B Proportionate Share of Distributable Cash will be distributed:

- (1) firstly, to holders of Class B Units in accordance with their Class B Proportionate Share until each holder of Class B Units has received return of their Capital Contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid Preferred Return with respect to Class B LP Units; thereafter
 - (3) thirdly, 70% (the “**Class B Unit Distribution Entitlement**”) to the holders of Class B Units in accordance with their Class B Proportionate Share and 30% to the holders of Class A LP Units in accordance with their Class A Proportionate Share (the “**Class B Distribution Ratio**”) subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class B LP Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 70% of the Class B Proportionate Share of Distributable Cash (the “**Class B Unit Entitlement Threshold**”) and the General Partner, in its Discretion, may adjust the Class B Distribution Ratio between the holders of Class A LP Units and the holders of Class B LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of Distributable Cash to the holders of Class B LP Units does not exceed the Class B Unit Entitlement Threshold;
- (iv) the Class C Proportionate Share of Distributable Cash will be distributed:
- (1) firstly, to holders of Class C LP Units in accordance with their Class C Proportionate Share until each holder of Class C LP Units has received return of their Capital Contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid Preferred Return with respect to Class C LP Units; thereafter
 - (3) thirdly, 72.5% (the “**Class C Unit Distribution Entitlement**”) to the holders of Class C LP Units in accordance with their Class C Proportionate Share and 27.5% to the holders of Class A LP Units in accordance with their Class A Proportionate Share (the “**Class C Distribution Ratio**”) subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class C LP Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 72.5% of the Class C Proportionate Share of Distributable Cash (the “**Class C Unit Entitlement Threshold**”) and the General Partner, in its Discretion, may adjust the Class C Distribution Ratio between the holders of Class A LP Units and the holders of Class C LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of Distributable Cash to the holders of Class C LP Units does not exceed the Class C Unit Entitlement Threshold;
- (v) the Class D Proportionate Share of Distributable Cash will be distributed:
- (1) firstly, to holders of Class D LP Units in accordance with their Class D Proportionate Share until each holder of Class D LP Units has received return of their Capital Contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid Preferred Return with respect to Class D LP Units; thereafter
 - (3) thirdly, 75% (the “**Class D Unit Distribution Entitlement**”) to the holders of Class D LP Units in accordance with their Class D Proportionate Share and 25% to the holders of Class A LP Units in accordance with their Class A Proportionate Share (the “**Class D Distribution Ratio**”) subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class D LP Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 75% of the Class D Proportionate Share of Distributable Cash (the “**Class D Unit Entitlement Threshold**”) and the General Partner, in its Discretion, may adjust the Class D Distribution Ratio between the holders of Class A LP Units and the holders of Class D LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of Distributable Cash to the holders of Class LP D Units does not exceed the Class D Unit Entitlement Threshold;
- (vi) the Class E Proportionate Share of Distributable Cash will be distributed:
- (1) firstly, to holders of Class E LP Units in accordance with their Class E Proportionate Share until each holder of Class E LP Units has received return of their Capital Contributions in respect of all such Units held; thereafter;
 - (2) secondly, 85% to the holders of Class E LP Units in accordance with their Class E Proportionate Share and 15% to the holders of Class A LP Units in accordance with their Class A Proportionate Share;

- (vii) the Class F Proportionate Share of Distributable Cash will be distributed:
 - (1) firstly, to holders of Class F LP Units in accordance with their Class F Proportionate Share until each holder of Class F LP Units has received return of their Capital Contributions in respect of all such Units held; thereafter
 - (2) secondly, 87.5% to the holders of Class F LP Units in accordance with their Class F Proportionate Share and 12.5% to the holders of Class A LP Units in accordance with their Class A Proportionate Share;
- (viii) the Class G Proportionate Share of Distributable Cash will be distributed:
 - (1) firstly, to holders of Class G LP Units in accordance with their Class G Proportionate Share until each holder of Class G LP Units has received return of their Capital Contributions in respect of all such Units held; thereafter
 - (2) secondly 90% to the holders of Class G LP Units in accordance with their Class G Proportionate Share and 10% to the holders of Class A LP Units in accordance with their Class A Proportionate Share; and
- (ix) with respect to Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O LP Units, the General Partner in its Discretion may allocate any of the distributions to be made to the Class A LP Units in sub-paragraphs (i)-(viii) above to the holders of Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O LP Units on any terms on its Discretion that it so chooses.

If the General Partner determines to make a distribution of Distributable Cash, the General Partner will distribute Distributable Cash pursuant to the above to the Partners whose names appear on the LP Unit register maintained by the General Partner on the date on which such distribution is being made. Distributions made under this Agreement will be net of any tax required by law to be withheld by the General Partner on behalf of the Partnership.

5.2 SUBSCRIPTION PROCEDURE

The minimum subscription for Units with respect to the second \$5,000,000 raised under this Offering until February 29, 2016 is \$9,994 with respect to Class B and E Units (10,520 Units), \$75,000 (rounded) with respect to Class C and F Units (78,948 Units) and \$150,000 with respect to Class D and G Units (157,895 Units).

The minimum subscription for Units with respect to all funds raised above \$10,000,000 as of March 1, 2016 is \$10,000 with respect to Class B and E Units (10,000 Units), \$75,000 (rounded) with respect to Class C and F Units (75,000 Units) and \$150,000 with respect to Class D and G Units (150,000 Units). The Trust may also accept subscriptions for Units in amounts of less than the above amounts where in the sole Discretion of the Trustees the acceptance of such subscriptions are necessary in order for the Trust to satisfy the minimum investor requirements of a "mutual fund trust" under the Tax Act.

An investor who wishes to subscribe for Units must:

1. complete and execute the Subscription Agreement which accompanies this Offering Memorandum, including all applicable exhibits and/or schedules thereto; and
2. pay the subscription price by certified cheque or bank draft dated the date of the subscription in the amount of the applicable Unit Subscription Price for each Unit subscribed for made payable to the Trust or as AdminCo may otherwise direct; and
3. complete and execute any other documents deemed necessary by AdminCo to comply with applicable securities laws; and
4. deliver the foregoing to AdminCo at #2000, 2021 - 100 Avenue NE, Calgary, AB T3J 0R3 or such other location AdminCo may specify. If the conditions of closing are not satisfied within the required time, all documents and subscription funds will be returned to the subscribers without interest or deduction.

A Subscriber will become a Unitholder of the Trust following the acceptance of a Subscription Agreement by AdminCo. If a subscription is withdrawn or is not accepted by AdminCo, all documents will be returned to the subscriber within thirty (30) days following such withdrawal or rejection without interest or deduction.

The consideration tendered by each Subscriber will be held "in trust" for a period of two days during which period the Subscriber may request a return of the tendered consideration by delivering a notice to the Trust not later than midnight on the second business day after the Subscriber signs the Subscription Agreement.

Neither the Trust, the Trustees, AdminCo nor any other affiliate or associate of the foregoing is responsible for, and undertakes no obligation to, determine the general investment needs and objectives of a potential investor and the suitability of the Units having regard to any such investment needs and objectives of the potential investor.

5.3 OFFERING JURISDICTIONS

The Offering is being made pursuant to the following exemptions from the prospectus requirements contained in the applicable securities laws in Alberta, British Columbia, Manitoba, Ontario, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Quebec, Saskatchewan or Yukon pursuant to the exemptions from the prospectus requirements afforded by Section 2.9 of NI 45-106 (the “**Offering Memorandum Exemption**”).

The Offering Memorandum Exemption is available for distributions to Subscribers purchasing as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and who sign a Risk Acknowledgment Form (provided that, with respect to Quebec, the Offering Memorandum is available in both the French and English languages).

The foregoing exemptions relieve the Trust from the provisions of the applicable Canadian securities laws of each of the Offering Jurisdictions which otherwise would require the Trust to file and obtain a receipt for a prospectus. Accordingly, prospective Subscribers will not receive the benefits associated with subscription for securities issued pursuant to a filed prospectus, including the review of material by any securities regulatory authority.

ITEM 6 - INCOME TAX CONSIDERATIONS

You should consult your own professional advisors to obtain advice on the tax consequences that apply to you.

6.1 GENERAL

The following summary fairly describes the principal Canadian federal income tax considerations under the Tax Act generally applicable to a Unitholder who acquires the Units pursuant this Offering and who, for the purposes of the Tax Act, is resident in Canada, deals at arm’s length with, and is not affiliated with, the Trust, and where the Unitholder is a trust governed by a registered retirement savings plan, a registered retirement income fund or a tax-free savings account (together the “Restricted Plans”), the controlling individual of the Registered Plan does not have a “significant interest” in the Trust (as defined in subsection 207.01(4) of the Tax Act) and holds the Units as capital property.

Generally, an individual has a significant interest in the Trust if at any time, the individual, together with other individuals, corporations, trusts, and partnerships that do not deal at arm’s length with the individual, hold at any time Units that have a fair market value of 10% or more of the fair market value of all the outstanding Units of the Trust. Generally, Units will be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or deal in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade.

This summary is not applicable to holders who are (i) “financial institutions” which are subject to the mark-to-market provisions of the Tax Act, (ii) “specified financial institutions”, (iii) partnerships, or persons an interest in which would be a “tax shelter investment”, or (iv) persons that have elected to determine their Canadian tax results in a foreign currency pursuant to the “functional currency” reporting rules, all within the meaning of the Tax Act. Such holders should consult their own tax advisors. In addition, this summary does not address the deductibility of interest by a holder who has borrowed money to acquire Units under the Offering.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”), existing case law and the understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”) published in writing by it. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations which may differ significantly from the Canadian federal income tax considerations discussed herein. There can be no assurance that the Proposed Amendments will be enacted in the form publicly announced or at all.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances including the province or territory in which the investor resides or carries on business. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units, based on their particular circumstances.

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Trust Units must be expressed in Canadian dollars. Amounts denominated in another currency must be converted into Canadian dollars based on exchange rates as determined in accordance with the Tax Act.

6.2 STATUS OF THE TRUST

This summary assumes that the Trust will qualify at all relevant times as a “mutual fund trust” within the meaning defined in the Tax Act and that the Trust will validly elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust, the sole undertaking of the Trust must be the investing of its funds in property (other than certain real property or interests in real property), or the acquiring, holding, maintaining, improving leasing or managing of any real property (or interest in real property) that is capital property of the trust, or a combination of these activities, the Trust must comply on a continuous basis with certain requirements relating to maintaining a diversity of investments, the qualification of the Units for distribution to the public, the number of Unitholders and dispersal of ownership of Units and the Trust must not be reasonably considered to have been established or maintained primarily for the benefit of non-residents of Canada.

This summary assumes the “investments”, within the meaning of the Tax Act, in the Trust are not, and will not be, listed or traded on a stock exchange or other public market. If investments in the Trust are listed or traded on a stock exchange or other public market the Trust may be taxable as a “SIFT trust” under the Tax Act.

There can be no assurance that the Trust will maintain its status as a “Mutual Fund Trust”. If the Trust were not to qualify as a mutual fund trust at all times or the Trust were to become a SIFT trust, the income tax considerations described below would, in some respects, be materially and adversely different from those described below.

6.3 TAXATION OF THE TRUST

The taxation year of the Trust is the calendar year. The Trust is subject to tax in each taxation year on its income for the year, including net realized taxable capital gains, dividends and accrued interest. The Trust is also required to include in computing its income its *pro rata* share of the income of the Partnership, as more fully described below. Costs incurred in the issuance of Trust Units generally may be deducted by the Trust on a five year, straight line basis. The Trust also will be entitled to deduct reasonable current administrative and other expenses that are incurred to earn income.

The Tax Act requires the Trust to compute its income or loss for a taxation year as though it were an individual resident in Canada. If the Trust has any taxable income for a taxation year, taking into account, among other things, the inclusions and deductions outlined above, the existing provisions of the Tax Act permit the Trust to deduct all amounts which are paid or become payable by it to Unitholders in such year. An amount will be considered to be payable in a taxation year if it is paid to the Unitholder in the year by the Trust or if the Unitholder is entitled in the year to enforce payment of the amount. Where the Trust does not have sufficient cash to distribute such amounts in a particular taxation year, the Trust will make one or more in-kind distributions in the form of additional Units. Income of the Trust payable to Unitholders in the form of additional Units generally will be deductible to the Trust in computing its income. It is the current intention of the Trustees to make payable to Unitholders each year sufficient amounts such that the Trust is not liable to pay tax under Part I of the Tax Act; however, no assurances can be made in this regard.

A distribution by the Trust of its property upon a redemption of Units will be treated as a disposition by the Trust of such property for proceeds of disposition equal to the fair market value thereof. The Trust will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of the property exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

In the event the Trust would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it would be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units of the Trust during the year (the “**capital gains refund**”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Trust's tax liability for the taxation year arising in connection with the transfer of property

in specie to redeeming Unitholders on the redemption of Units. The Declaration of Trust provides that all or a portion of any capital gain or income realized by the Trust in connection with such redemptions may, at the Discretion of the Trustees, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming holder. Such income or the taxable portion of the capital gain so designated must be included in the income of the redeeming holder (as income or taxable capital gains) and will be deductible by the Trust in computing its income.

In computing its income, the Trust is required to include its share of the income of the Partnership ending in the taxation year. The adjusted cost base of the Class B - G LP Units held by the Trust will be increased at a particular time by the Trust's share of the amount of income of Partnership for a fiscal year of the Partnership ended before that time, and will be reduced by all distributions of cash or other property made by the Partnership to the Trust before that time. If at the end of any fiscal year of the Partnership, the adjusted cost base of the Class B - G LP Units held by the Trust would otherwise be less than zero, the Trust will be deemed to have realized a capital gain equal to the negative amount and the adjusted cost base of the Class B - G LP Units will be increased by the amount of such deemed capital gain.

6.4 TAXATION OF UNITHOLDERS

6.4.1 Trust Distributions

A Unitholder generally will be required to include in computing its income for a particular taxation year of the Unitholder, as income from property, the portion of the net income of the Trust, including net realized taxable capital gains, that is paid or payable to the Unitholder in that taxation year, whether or not those amounts are received in cash, additional Trust Units or otherwise. Any loss of the Trust for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Unitholder.

Provided that the appropriate designations are made by the Trust, such portion of its net taxable capital gains, taxable dividends, and foreign source income, as the case may be, shall be treated as such in the hands of the Unitholder for purposes of the Tax Act. Foreign taxes paid by the Partnership will be allocated pursuant to its limited partnership agreement.

Each partner's share of the "business-income tax" and "non-business-income tax" paid in a foreign country for a year will be creditable against its Canadian federal income tax liability to the extent permitted by the detailed rules contained in the Tax Act. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

There is now legislation in the Tax Act to address certain foreign tax credit generator transactions (the "**Foreign Tax Credit Generator Rules**"). Under the Foreign Tax Credit Generator Rules, the foreign "business income tax" or "non-business-income tax", each as defined in the Tax Act, for any taxation year may be limited in certain circumstances, including where a partner's share of the partnership's income under the income tax laws of any country (other than Canada) under whose laws the income of the partnership is subject to income taxation, is less than the partner's share of such income for purposes of the Tax Act. No assurances can be given that the Foreign Tax Credit Generator Rules will not apply to any Unitholder. If the Foreign Tax Credit Generator Rules apply, a Unitholder's foreign tax credits will be limited.

The non-taxable portion of any net realized capital gains of the Trust (currently being one-half thereof) that is paid or payable to a Unitholder in a year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Trust that is paid or payable to a Unitholder in a year generally should not be included in the Unitholder's income for the year. However, such an amount which becomes payable to a Unitholder will reduce the adjusted cost base of the Trust Units held by such Unitholder, except to the extent that the amount either was included in the income of the Unitholder or was the Unitholder's share of the non-taxable portion of the net capital gains of the Trust, the taxable portion of which was designated by the Trust in respect of the Unitholder. To the extent that the adjusted cost base of a Unit otherwise would be less than zero, the Unitholder will be deemed to have realized a capital gain equal to the negative amount and the holder's adjusted cost base of the Trust Units will be increased by the amount of such deemed capital gain.

6.4.2 Disposition of Trust Units

Upon the disposition or deemed disposition of Trust Units by a Unitholder, whether on a redemption or otherwise, the Unitholder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (excluding any amount payable by the Trust which represents an amount that must otherwise be included in the Unitholder's income as described herein) are greater (or less) than the aggregate of the Unitholder's adjusted cost base of the Trust Units immediately before such disposition and any reasonable costs of disposition.

The adjusted cost base to a holder of a Unit for tax purposes acquired pursuant to this Offering generally will include all amounts paid by the holder for the Unit, subject to certain adjustments. The cost of additional Units received in lieu of a cash distribution will be the amount of income of the Trust distributed by the issuance of such additional Units. For purposes of determining the adjusted cost base to a holder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the holder as capital property.

6.4.3 Redemption of Trust Units

A redemption of Units in consideration for cash or other assets of the Trust, as the case may be, will be a disposition of such Units for proceeds of disposition equal to such cash or the fair market value of such other assets, as the case may be, less any income or capital gain realized by the Trust in connection with the redemption of those Units to the extent that such income or capital gain is designated by the Trust to the redeeming holder. Unitholders exercising the right of redemption will consequently realize a capital gain, or sustain a capital loss, depending upon whether such proceeds of disposition exceed, or are exceeded by, the adjusted cost base of the Trust Units redeemed. Where income or capital gains realized by the Trust in connection with the distribution of property *in specie* on the redemption of Units have been designated by the Trust to a redeeming holder, the holder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any property distributed *in specie* by the Trust to a holder upon a redemption of Units will be equal to the fair market value of that property at the time of the distribution. The holder will thereafter be required to include in its income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

6.4.4 Capital Gains and Losses

One-half of any capital gain realized by a holder from a disposition of Units and the amount of any net taxable capital gains designated by the Trust in respect of the holder will be included in the holder's income under the Tax Act as a taxable capital gain. One-half of any capital loss (an “**allowable capital loss**”) realized on the disposition of a Unit will be deducted against any taxable capital gains realized by the holder in the year of disposition, and any excess of allowable capital losses over taxable capital gains may be carried back to the three preceding taxation years or forward to any subsequent taxation year and applied against net taxable capital gains in those years, subject to the detailed rules contained in the Tax Act.

6.4.5 Alternative Minimum Tax

An individual unitholder may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Units and net income of the Trust, paid or payable, or deemed to be paid or payable, to the holder and that is designated as net taxable capital gains.

6.5 Qualified Investments for Deferred Plans

The Units will be qualified investments for trusts governed by Deferred Plans at a particular time, provided that the Trust qualifies as a “mutual fund trust” for purposes of the Tax Act at such time. If the Trust ceases to qualify as a mutual fund trust, the Units will no longer be qualified investments under the Tax Act for such Deferred Plans. Where a trust governed by a Restricted Plan holds Units or other properties that are not qualified investments, the “controlling individual” of a Restricted Plan will be required to pay a tax equal to 50% of the fair market value of the Units or other properties at the time the Units or other properties were acquired by the Restricted Plan or when the Units or other properties ceased to be qualified investments. This tax is potentially refundable if the Restricted Plan disposes of the property before the end of the calendar year following the calendar year in which the tax was imposed. In addition, where a Restricted Plan holds or acquires Units or other properties that are not qualified investments, the trust will become taxable on the income attributable to the Units or other properties while they are not qualified investments.

Where a trust governed by a registered education savings plan (“RESP”) acquires or holds Units or other properties that are not qualified investments, the RESP becomes revocable and its registration may be revoked by the Canada Revenue Agency (“CRA”). If the RESP is not revoked, the RESP will be subject to taxes on the fair market value of the Units or other properties held.

If a Deferred Plan requests the redemption of Units, property including Redemption Notes received in payment may not be qualified investments, with the result that the Deferred Plan may be taxable in the manner described above. **Deferred Plans that own Units should consult their own tax advisors before deciding to exercise their right to redeem Units.**

There are additional requirements for a Restricted Plan in order for the Units not to be a “prohibited investment” which would be subject to a special tax of 50% of the fair market value of the investment. If any investment is a prohibited investment and is not a qualified investment also, it is only treated as a prohibited investment. The Units will be a “prohibited investment” if the account holder does not deal at “arm’s length” with the Trust or holds, together with persons or partnerships with which the holder does not deal at arm’s length, Units of the Trust with a fair market value of 10% or more of the value of the total Units of the Trust.

There can also be additional special taxes for a Restricted Plan on certain tax “advantages” that unduly exploit the attributes of a Restricted Plan, including “advantages” on “prohibited investments” and on “non-qualified investments”. The rules in the Tax Act that constitute an “advantage” are quite broad, therefore, Subscribers should seek independent professional advice as to the applicability of these rules to their particular circumstances.

The income tax information contained in sections 6.1 – 6.5 was provided pursuant to the advice received from Collins Barrow Calgary LLP, is based on the current provisions of the Income Tax Act, the Regulations there under and published administrative practices of the CRA. The comments do not take into account or anticipate changes in the law, whether by judicial, regulatory, governmental or legislative action after the date of this document. The comments offered do not address the possibility of any challenge to the structure by the CRA under the specific and/or general anti-avoidance rules. No assurance can be given that the Tax Act will not be amended in a manner which will fundamentally alter the income tax consequences to a Subscriber for securities.

Accordingly, this summary is not exhaustive of all possible Canadian Federal income tax considerations that apply to an investment in the Units of the Trust. This summary is of a general nature only and is not intended to be and should not be taken as legal, tax or business advice to any particular Subscriber to these securities. Consequently, Subscribers should seek independent professional advice regarding the income tax consequences of investing in the securities, based upon their own particular circumstances.

6.6 Certain U.S. Federal Income Tax Considerations

Circular 230

To comply with U.S. Treasury Department Circular 230, prospective investors are advised that:

- (1) any discussion of U.S. federal tax issues in this Offering Memorandum is not intended or written to be used, and cannot be used, by prospective investors for the purpose of avoiding penalties under the U.S. Internal Revenue Code of 1986, as amended;
- (2) such discussion is being used in connection with the promotion or marketing of the transactions or matters addressed herein; and
- (3) prospective investors should seek advice based on their particular circumstances from an independent tax advisor. Prospective investors should consult their own tax advisors regarding the state, local, non-U.S. and other tax consequences to them of the purchase, ownership, and disposition of the Units offered herein.

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

This summary does not address all possible U.S. federal income tax considerations applicable to the Trust, the Partnership, or the Holding LP. Further, this summary does not address any U.S. federal tax considerations applicable to Unitholders. This summary is based on the U.S. Internal Revenue Code of 1968, as amended (“**Code**”), and the Treasury Regulations promulgated thereunder, IRS rulings and official pronouncements, judicial decisions, and the Convention between the United States of America and Canada with Respect to Taxes on Income and Capital, signed September 26, 1980, as amended (“**U.S.-Canada Tax Treaty**”), all as in effect on the date of this Offering Memorandum and all of which are subject to change, possibly with retroactive effect, or different interpretations, which could affect the accuracy of the analysis set forth below.

United States Federal Income Taxation of Foreign Corporations

The Trust will have a default classification as a corporation for U.S. federal tax purposes.

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

A foreign corporation engaged in a U.S. trade or business generally is subject to U.S. federal income tax on income that is “effectively connected” with such U.S. trade or business (“**ECI**”) and, under the U.S.-Canada Tax Treaty, is attributable to a permanent establishment maintained by the foreign corporation in the United States. A foreign corporation that is a partner in a partnership engaged in a U.S. trade or business will itself be deemed to be engaged in a U.S. trade or business through a permanent establishment if the partnership itself has a place of business in the U.S. Income earned from rental operations of U.S. real property by a partnership engaged in such business generally will be ECI with respect to a foreign corporation, as will the income and gain on disposition of such real property.

A foreign corporation will be subject to U.S. federal income tax on its taxable ECI at the regular U.S. federal graduated rates of tax (with the highest corporate tax rate presently at 35%). A foreign corporation’s taxable ECI is computed by claiming allowable deductions that are attributable to its effectively connected gross income on a timely filed U.S. federal income tax return.

A foreign corporation that derives ECI from a partnership engaged in a U.S. trade or business generally is subject to U.S. federal income tax withholding at the highest applicable rate of tax (presently 35%) under Section 1446 of the Code on the income and gains allocable to such foreign corporation as a partner in the partnership, and the foreign corporation is required to file a U.S. federal income tax return to report its allocable share of the partnership income, gains, deductions, losses, and credits. Withheld tax is allowed as a credit in computing the foreign corporation’s U.S. tax liability on such return. Furthermore, a foreign corporation with ECI may also be subject to U.S. federal branch profits taxes, as discussed below under “The Branch Profits Tax.”

A foreign corporation that owns “United States Real Property Interests” (“**USRPI**”), including an interest in a partnership that owns U.S. real property as its primary assets, is subject to U.S. federal income tax on gains arising on the sale of such real property or on the sale of such partnership interest, at the graduated rates applicable to corporations under the Foreign Investment in Real Property Tax Act of 1980, encoded at Section 897 of the Code (“**FIRPTA**”). Presently, there is no preferential U.S. federal capital gains tax rate for a foreign corporation on the gain derived on disposition of a USRPI (such as an interest in a partnership owning U.S. real property), or the gain allocated to such foreign corporation on the disposition of U.S. real property by the partnership. Pursuant to FIRPTA, withholding on gains from the disposition of a USRPI is required under Section 1445 of the Code; although if withholding is made under the Section 1446 rules applicable to income allocable to non-U.S. partners of a partnership engaged in a U.S. trade or business, the FIRPTA withholding rules generally will also be satisfied.

A foreign corporation is also subject to a 30% U.S. withholding tax on certain types of U.S. source income which are not ECI, unless the foreign corporation otherwise establishes an exemption from, or a reduced rate of, withholding under an applicable income tax treaty. These types of income generally include passive income such as dividends, rents (that are not otherwise ECI), interest and royalties, and other “fixed or determinable annual or periodic” income (collectively referred to as “**FDAP**”). Unless an exception applies, a foreign corporation will be subject to U.S. withholding tax on the gross amount of any FDAP income, and will not be entitled to deductions for any expenses to the extent allocable to FDAP income.

United States Federal Income Taxation of the Trust

The Trust does not intend to be engaged in a U.S. trade or business nor does it expect to be a direct member of a partnership or disregarded entity that is engaged in a U.S. trade or business. Therefore, the Trust does not expect to have any ECI that would be subject to U. S. federal income tax.

While the Trust will have FDAP in the form of U.S. source interest income arising on from loans by the Trust to the Holding LP, the rate of U.S. withholding tax on such interest income should be reduced to zero under the U.S.-Canada Tax Treaty. Thus, no U.S. federal income tax liability should arise for the Trust on such interest. See discussion below under “Debt and Deductions”

United States Federal Income Taxation of the Partnership

As noted, the Partnership will elect under the applicable Treasury Regulations to be treated as a corporation for U.S. federal income tax purposes. The Holding LP, which is classified as a partnership for U.S. federal income tax purposes, will not itself be subject to U.S. federal income tax but rather will “flow through” its (and its allocable share from the Acquisition LP’s) income, gains, deductions, losses, and credits to the Partnership which will be the only limited partner of the Holding LP. The only partner in the Holding LP will be the Partnership. The Partnership will have a permanent establishment in the U.S. because it is a partner in Holding LP, and will be subject to U.S. federal income tax on any ECI of its own or that flows through to it as a partner of Holding LP. Thus, the Partnership will be subject to U.S. federal income taxation on its allocable share of net rental income derived directly or indirectly by the Holding LP.

Furthermore, the gain from a sale of any of the U.S. real properties owned (indirectly through an Acquisition LP) by Holding LP that is allocable to the Partnership or a sale or other disposition by the Partnership of its limited partnership interest in the Holding LP, will also be considered ECI with respect to the Partnership and subject to U.S. federal income taxation at the regular tax rates applicable to corporations. Income or gains of the Holding LP allocable to the Partnership generally will be subject to U.S. withholding tax under Section 1446 of the Code at the highest corporate tax rate (presently 35%), which will also apply in lieu of any FIRPTA withholding requirements otherwise arising on disposition of a USRPI by the Partnership or the Holding LP. Such U.S. withholding tax should be allowed as a credit against U.S. tax as shown on the Partnership’s U.S. federal income tax return.

In computing the Partnership’s U.S. federal taxable income derived from ECI, certain deductions (subject to limitations) will be allowed, such as the “ordinary and necessary” business expenses of the Holding LP (including interest expense on mortgages related to the Properties and reasonable manager fees), depreciation of the rental properties (as computed under U.S. federal income tax rules) of the Holding LP and the Acquisition LP’s, and interest expense with respect to the loans made by the Trust to the Holding LP. See “*Debt and Deductions*” below.

In addition to the U.S. federal income tax on taxable income that is ECI, the Partnership generally will be liable for a five (5%) percent branch profits tax on its after-tax earnings attributable to or distributed from ECI. See “*The Branch Profits Tax*” below. Moreover, any FDAP of the Partnership will be subject to U.S. withholding tax on a gross basis at 30%, or such lower reduced rate of withholding tax as may be applicable under the US-Canada Tax Treaty.

The Branch Profits Tax

Under the branch profits tax in Section 884 of the Code, the Partnership generally will be subject to an additional five percent (5%) tax on its effectively connected earnings and profits for the taxable year which exceed \$500,000 (Canadian), as adjusted for certain items, pursuant to Article X(6) of the U.S.-Canada Tax Treaty. Reductions in the “U.S. net equity,” as defined in Section 884(c) of the Code, of the Partnership in the U.S. trade or business conducted through the Holdings LP may result in the imposition of the branch profits tax. For example, the Partnership’s distributions to the Trust will generally be subject to a branch profits tax of 5%.

Debt and Deductions

The Trust will loan money to the Holding LP to fund the Holding LP’s operations (the “**Holding LP Loans**” or the “**Loans**”). A number of U.S. federal income tax rules affect the treatment of the interest arising from such Loans. If the Holding LP Loans are respected as bona fide debt, the Holding LP will be allowed deductions on interest paid to the Trust; however, if the Loans are not respected as bona fide debt, the Holding LP will be disallowed such deductions and part of the interest may be re-characterized as dividends to the Trust, thereby increasing both the Partnership’s income and the Holding LP’s income. Consequently, the funds available for distribution and the Units’ value would be reduced if interest on the Loans is not deductible.

The Trust and the Holding LP intend to treat the Holding LP Loans as debt allocable to the Partnership’s interest in the Holding LP for U.S. federal income tax purposes, however, neither the Trust nor the Holding LP have obtained an opinion of counsel on this issue. The determination of whether the Loans are debt or equity for U.S. federal income tax purposes is based on an analysis of the facts and circumstances. There is no clear definition of debt under the Code and its characterization is governed by principles developed in case law, which analyzes numerous factors that are intended to identify the economic substance of the particular instrument. Although the Trust and the Holding LP intend to treat the Loans as debt for U.S. federal income tax purposes, the IRS could challenge this position. If such a challenge were successful, interest payments on the Loans would not be deductible, and the Partnership’s taxable income and its U.S. federal income tax liability would increase. Branch profits tax may also be increased in such situation. As a result, the Partnership’s cash flow would be reduced, which would negatively impact both the cash available for distribution to Unitholders and the value of the Units.

In addition, other limitations on the deductibility of interest under U.S. federal income tax laws could apply if, for example, the IRS claims that the interest rate on the Holding LP is in excess of an arm's-length rate (in which case a portion of the interest could be re-characterized as a non-deductible dividend), the Loans are issued with "original issue discount, exceed the statutory "thin-capitalization" threshold of 1.5:1, or the economic substance doctrine is successfully invoked. In any such case, the Holding LP's taxable income, and thus its tax liability, could be increased because of the disallowance of interest deductions.

U.S. Foreign Account Tax Compliance Act

In order to avoid adverse withholding tax consequences, the Trust may require Unitholders that are "U.S. persons," as defined in the Code, to provide certain tax and reporting information necessary for the Trust to comply with new reporting obligations under the "Foreign Account Tax Compliance Act" ("FATCA"). If a U.S. person does not provide such information, the U.S. person will generally be subject to U.S. withholding tax on payments made by the Trust.

FATCA generally imposes a 30% withholding tax on "U.S. persons" who fail to comply with its requirements for (a) certain U.S. source payments (including interest and dividends) and gross proceeds from the sale or other disposition of property that produce U.S. source interest or dividends ("withholdable payments"), and (b) "foreign passthru payments" made by certain non-U.S. entities (collectively referred to as "**passthru payments**").

Unitholders that fail to comply with information requests or otherwise comply with the requirements of FATCA may be subject to a 30% withholding tax on passthru payments made by the Trust. Additionally, the Trust may be required to withhold tax on passthru payments made by the Trust to certain non-U.S. entities that are not in compliance with FATCA, including certain non-U.S. financial institutions holding Units on behalf of others (such as investment advisors). Accordingly, it is difficult to accurately estimate the impact of FATCA on the Trust.

The imposition of the 30% withholding tax under FATCA could result in materially reduced investment returns for the Unitholders. The administrative costs arising from compliance with FATCA may also cause an increase in the operating expenses of the Trust, thereby further reducing returns to Unitholders. An additional feature of FATCA is the obligation to release private and confidential information concerning certain Unitholders in the Trust to the IRS and any risks that may be caused to Unitholders as a result thereof.

Prospective Unitholders should consult their independent tax advisor regarding how FATCA may impact their potential investment in the Trust.

This summary is of a general nature only and is not intended to be and should not be taken as legal, tax or business advice to any particular Subscriber to these securities. Consequently, Subscribers should seek independent professional advice regarding the income tax consequences of investing in the securities, based upon their own particular circumstances.

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

Where allowed by applicable securities legislation, the Trust intends to offer compensation of up to nine percent (9%) (including any dealer administration fee) of the gross proceeds realized on the sale of Units under this Offering to any one of, or a combination of, the following parties: investment dealers, Exempt Market Dealers and/or their dealing representatives, parties related to the Trust (excluding the Trustees), employees and/or contractors of such parties, and officers and directors of the Prestige Parties.

The Partnership will pay all commissions and fees incurred by the Trust with respect to this Offering.

ITEM 8 - RISK FACTORS

An investment in the Trust is speculative and contains certain risks. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the Units. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the Trust will meet its business objectives.

The Trust's returns may be unpredictable and, accordingly, the Units are not suitable as the sole investment vehicle for an investor or for an investor that is looking for a predictable source of cash flow. An investor should only invest in the Trust as part of an overall investment strategy. Based on, among others, the factors described below, the possibility of partial or total loss of capital will exist and investors should not subscribe unless they can readily bear the consequences of such loss.

RISKS ASSOCIATED WITH THE UNITS

No Review by Regulator

Subscribers under this Offering will not have the benefit of a review of this Offering Memorandum by any securities regulatory authority or regulator.

Blind Pool Offering

Other than with respect to the proposed acquisition by the Trust of the London/Waterloo Hotels, the Offering will continue to be a “blind pool” Offering. Although the Trust expects that the available funds of the Offering will be applied to purchase one or more Hotel Properties in addition to the London/Waterloo Hotels, the specific Properties in which the available funds will be invested have not yet been determined. The Unitholders’ return on their investments in the Units will vary depending on the return on investment achieved on the Hotel Properties that may be acquired with the available funds of the Offering including the London/Waterloo Hotels. An investment in Units is appropriate only for Subscribers who have the capacity to absorb a loss of some or all of their investment.

Restrictions on redemption and transfer; Illiquidity of Units

It is intended that the Trust will continue until December 31, 2099. As a result, a Unitholder’s principal source of liquidity for its Units will be through its right of redemption. Unitholders should be aware that redemption rights in their favour are subject to significant limitations and restrictions. There will be no public market for the Units and an application for listing of the Units on a stock exchange will not be made. Units in the Trust are highly illiquid investments and should only be acquired by investors able to bear the economic risk of an investment in the Units for an indefinite period of time. The Units are being sold on a “private placement” basis in reliance upon exemptions from prospectus and registration requirements of applicable securities laws and therefore are subject to significant statutory restrictions on transfer or sale. The Units will be subject to “hold periods” under applicable securities legislation and, as the Trust is currently not a “reporting issuer” in any province or territory in Canada, the “hold periods” may never expire. Additionally, Unitholders will not be permitted to transfer or sell their Units without the consent of the Trustee, which may be withheld in the Trustee’s sole Discretion, and may be subject to the satisfaction of certain other conditions, including the provision of an opinion of counsel that such a transfer would not subject the Trust or the Unitholders to any regulatory or tax burdens or result in violation of any applicable law or governmental regulation.

No Assurances of Achieving Objectives

There is no assurance that the Trust will be able to achieve its investment objectives, including being able to pay distributions to Unitholders or to enhance long-term total return. The Trust will attempt to achieve its investment objectives through its investment strategy as described under the heading 2.2 “Investment Strategy”.

Reliance on Management

Prospective purchasers assessing the risks and rewards of this investment should appreciate that they will, in large part, be relying on the good faith and expertise of Management. In particular, prospective purchasers will have to rely on the discretion and ability of the members of Management in determining the Hotel Properties to be acquired by the Trust, negotiating the pricing and other terms of the agreements leading to the acquisition and operation of Hotel Properties by the Trust and Mezzanine Financing provided by the Trust. The Partnership does not maintain key person life insurance for Management. If the Partnership loses the services of any of the members of Management, the business, financial condition and results of operations of the Trust may be materially adversely affected.

Conflicts of Interest

Management presently does act and may act and may in the future act as manager or operator, as the case may be, for a number of limited partnerships that engage or may engage in the same business activities or pursue the same investment opportunities as the Trust. Certain conflicts may arise from time to time in the management of such funds or limited partnerships and in assessing suitable investment opportunities.

There is no independent committee or other persons representing the Unitholders in situations involving conflicts of interests between the Prestige Parties and/or the Unitholders. Accordingly, the Unitholders are relying on the ability, honesty and integrity of Management to resolve any such material conflicts of interests, which resolutions might have been different had the interests of Unitholders been represented by independent persons in such circumstances.

Less than Full Offering

There can be no assurance that the Maximum Offering will be sold. If less than all of the \$50,000,000 in Units are sold pursuant to this Offering, then less than the maximum proceeds will be available to the Trust. Consequently, the Trust's business development plans and prospects could be adversely affected, since fewer Hotel Properties will be purchased, owned and resold by the Partnership.

Distribution of income

The Trust will distribute Trust Income and Trust Capital Gains for each taxation year, so that Trust Income and Trust Capital Gains may be taxable to Unitholders and the Trust will not have any obligation to pay tax under the Tax Act. Payment of distributions is intended to be made in cash, but the Trust may, in certain circumstances, make distributions by distributing additional Units. See Item 2.5 – "Material Agreements - Summary of the Declaration of Trust - Distributions". In the event that the Trust does not make cash distributions, Unitholders will have to rely solely on the redemption of their Units to obtain a cash return on their investment in Units.

Distributions may be Reduced or Suspended

Although the Trust intends to distribute its Cash Flow to the Unitholders, such cash distributions may be reduced or suspended, or the Trust may not make any distributions at all. Units are not traditional fixed income securities. Units do not have a fixed obligation to make payments to Unitholders and do not promise to return the initial purchase price of a Unit on a certain date in the future. The ability of the Trust to make cash distributions and the actual amount distributed will depend on the ability of the Trust to indirectly acquire the Hotel Properties, the ongoing operations of the Hotel Properties and the realizable value of the Hotel Properties upon disposition, and will be subject to various factors. An investment in the Units is not comparable to an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and the recovery of an investor's original investment is at risk and the anticipated return on investment is based upon many performance assumptions. It is important for Subscribers to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the targeted distributions to Unitholders.

Nature of Units

Each Unit represents an equal undivided beneficial interest in the Trust. The Units do not represent debt instruments and there is no principal amount owing to Unitholders under the Units, and the Units are not insured against loss through the Canada Deposit Insurance Corporation.

Units are intended to be held by taxable and tax exempt investors

The Units are intended to be held by taxable and tax exempt investors. Taxable investors may be subject to tax as a result of holding Units. The Trust intends to make all taxable income of the Trust payable to Unitholders each year and to distribute such income by distributing cash or Units. In addition, income allocated by the Trust to Unitholders may exceed the amount payable to them on a redemption of their Units. Investors should consult their own tax advisors respecting the tax consequences of owning the Units.

Mutual fund trust status

To qualify as a mutual fund trust, the sole undertaking of the Trust must be the investing of its funds in property (other than certain real property or interests in real property), the Trust must comply on a continuous basis with certain requirements relating to maintaining a diversity of investments, the qualification of the Units for distribution to the public, the number of Unitholders and the dispersal of ownership of Units and the Trust must not be reasonably considered to have been established or maintained primarily for the benefit of non-residents of Canada. If the Trust fails or ceases to qualify as a "mutual fund trust", there may be adverse tax consequences to the Trust and Unitholders.

Maintaining "mutual fund trust" status requires meeting ongoing requirements

The requirements for mutual fund trust status under the Tax Act include ongoing requirements that must be met at all times. These requirements include a requirement that at all times, after the 89th day after the Trust's first taxation year (by March 29, 2016) the Trust must have at least 150 Unitholders holding at least 5 Trust Units having an aggregate fair market value of not less than \$500 in one class of Units. At present the Trust has 70 Class B Unitholders and 76 Class E Unitholders. In addition, the Trust may cease to be a "mutual fund trust" where it is considered to be established or maintained primarily for the benefits of Non-Residents unless certain requirements are met. If the Trust were not to qualify as a "mutual fund trust" under the Tax Act, the federal income tax considerations described in this Offering Memorandum would, in some respects, be materially and adversely different. If the Trust ceases to qualify as a "mutual fund trust" under the Tax Act, the Units will cease to be

qualified investments for Deferred Plans. There can be no assurance that the Units will continue to be qualified investments for Deferred Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments. See Item 6.5 – “Qualified Investments for Deferred Plans”.

Eligibility of Units for investment by Deferred Plans

If the Trust fails or ceases to qualify as a “mutual fund trust” the Units may not be or may cease to be qualified investments for Deferred Plans which will have adverse tax consequences to Deferred Plans and their annuitants, holders or beneficiaries. If the Units are or become a prohibited investment for trusts governed by tax-free savings accounts, adverse tax consequences may result to the holder of the tax-free savings account.

Trust Assets or Redemption Notes received as a result of a distribution or redemption of Units may not be a qualified investment for Deferred Plans, which may give rise to adverse consequences to a Deferred Plan or the annuitant, holder or beneficiary thereunder.

Redemption Price

The Redemption Price: (i) where a request for redemption by a Unitholder occurs within 12 months of the date of issue of a Unit Certificate, the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed less twelve percent (12%); (ii) if a request for redemption occurs between the 12 and 24 month anniversary of the date of issue of a Unit Certificate, the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed less seven percent (7%); and (iii) if a request for redemption occurs after the 24 month anniversary of the date of issue of a Unit Certificate, the Redemption Price shall be the Trust Unit Net Asset Value per Unit to be redeemed. The Trust Unit Net Asset Value of the Units determined by Trustees may not be equal to the fair market value of the Units. Unitholders will have no recourse against the Trust or AdminCo in this respect.

Limitation on Payment of Redemption Price in Cash

The total cash amount available for the payment of the redemption price of Units by the Trust is limited to \$75,000 in each fiscal quarter.

Payment of Redemption Price issuance of Redemption Notes

The redemption of Units may be paid and satisfied by way of Redemption Notes, as determined by AdminCo in its Discretion, to the redeeming Unitholder. Such property may not be liquid and generally will not be a qualified investment for Deferred Plans and may be a prohibited investment for Deferred Plans. Adverse tax consequences generally may apply to a Unitholder, or Deferred Plan and/or its annuitant, beneficiary thereunder or holder thereof, as a result of the redemption of Units. Accordingly, investors that propose to invest in Units through Deferred Plans should consult their own tax advisors before doing so to understand the potential tax consequences of exercising their redemption rights attached to such Units.

Redemption Notes will be Unsecured

Redemption Notes issued by the Trust will be unsecured debt obligations of the Trust and may be subordinated to other financing obtained by the Trust.

Payment of Redemption Notes

The Trust will create a reserve fund for interest payable with respect to Redemption Notes issued by the Trust. In the event that the Trust is unable to pay out a Redemption Note on maturity it may borrow funds from related and unrelated parties or seek to extend the terms of the Redemption Note. Notwithstanding the aforesaid circumstances may arise resulting in the Trust may not have funds available to pay on maturity the principal balance and accrued unpaid interest under any Redemption Notes issued.

Tax treatment of Units and Unitholders

Canadian federal or provincial income tax legislation may be amended, or their interpretation changed, so as to fundamentally alter the tax consequences of holding or disposing of Units or the investments held by the Trust. The alternative minimum tax could limit tax benefits available to Unitholders.

There is no assurance that income tax laws or administrative practices of tax officials in the various jurisdictions of Canada will not be changed in a manner which will adversely alter the tax treatment of Unitholders.

Tax characterization of Trust Income and Trust Capital Gains

The designation of income or gains realized by the Trust to Unitholders, including the designation of gains realized on the disposition of investments as capital gains will depend largely on factual considerations. Management will endeavor to make appropriate characterizations of income or gains realized by the Trust for purposes of designating such income or gains to Unitholders based on information reasonably available to it.

However, there is no certainty that the manner in which the Trust characterizes such income or gains will be accepted by the CRA. If it is subsequently determined that the Trust's characterization of a particular amount was incorrect, Unitholders might suffer material adverse tax consequences as a result.

SIFT status

If investments in the Trust are listed or traded on a stock exchange or other public market, the Trust may be taxable as a "SIFT trust" under the Tax Act, which will have adverse tax consequences to the Unitholders and the Trust and the Canadian federal income tax considerations of investing in the Trust will be materially different from those described herein.

RISKS ASSOCIATED WITH THE TRUST

Nature of investment

An investment in the Trust requires a long-term commitment, with no certainty of return. Investments made by the Trust, including in the Partnership, may not generate current income.

No assurance of investment return

The success of the Trust and, accordingly, a return on investment for a purchaser of Units, is entirely dependent upon the success of the Partnership's real estate investment strategy. As a result, there is no assurance or guarantee that the Trust and, correspondingly, the purchasers of Units pursuant to this Offering, will earn a return on their investment. Unitholders could lose the entire amount of their investment.

Concentration of investments

The Trust's investments will be limited to that of a single business (being the Partnership) operating in a single industry (being the hospitality real estate investment business). Concentration of the Trust's investments in such a manner involves greater risk to an investor of Units than the exposure generally associated with more diversified investment funds, and may result in greater fluctuations in returns.

Reliance on AdminCo

All decisions with respect to the Trust Assets and the operations of the Trust are expected to be made exclusively by the Trustee. The Trustee has delegated that authority to AdminCo pursuant to the Administration Agreement. Unitholders will have no right to make any decisions with respect to the Trust's business and affairs. No prospective investor should purchase a Unit in the Trust unless such prospective investor is willing to entrust all aspects of the management of the Trust to AdminCo.

Lack of operating history

The Trust and the Partnership have been established in connection with this Offering and have no operating history and no history of earnings. The past performance of any of Management in the real estate investment business should not be construed as a guarantee or expectation of future results of any investment in the Trust. Accordingly, there is no operating history upon which to base an evaluation of the Trust or the Partnership or their business or prospects. The Trust and the Partnership are in the early stages of their business and therefore are subject to the risks associated with early stage entities, including start-up losses, uncertainty of revenues, markets and profitability, the need to raise additional funding, the evolving and unpredictable nature of their business and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Trust or the Partnership will be successful in doing what they are required to do to overcome these risks. No assurance can be given that the Trust's or the Partnership's business activities will be successful. Total loss of an investment in Units is possible.

Limited working capital

The Trust will have a limited amount of working capital, as all or substantially all of the Available Funds of the Offering will be used to acquire Class B-G LP Units from the Partnership and to loan funds to the Holding LP in the event that Hotel Properties in the United States are acquired by the Partnership.

Rights of Unitholders

A Unitholder does not have all of the same protections, rights and remedies as a shareholder would have under the ABCA. Unlike shareholders of an ABCA corporation, the Trust will not be required to hold annual Unitholder meetings and Unitholders do not have a comparable right of a shareholder to make a proposal at a general meeting of the Trust. The matters in respect of which Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of an ABCA corporation. Unitholders do not have recourse to a dissent right under which shareholders of an ABCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the

corporation are undertaken (such as an amalgamation, the sale of all or substantially all of its property, or a going private transaction). Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of an ABCA corporation which would apply where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of security holders and certain other parties. Shareholders of an ABCA corporation may apply to a court to order the liquidation and dissolution of the corporation in certain circumstances whereas Unitholders may rely only on the general provisions of the Declaration of Trust which permit the winding-up of the Trust with the approval of an Extraordinary Unitholder Resolution of the Unitholders. Shareholders of an ABCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The ABCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include comparable rights.

Termination of the Trust

Although the Trust is expected to continue for an undetermined length of time, Unitholders may, by Extraordinary Unitholder Resolution, vote to terminate the Trust at any meeting of Unitholders duly called by the Trustee or the Unitholders for the purpose of considering termination of the Trust, following which the Trustee will commence winding-up of the Trust.

Such Extraordinary Unitholder Resolution may contain directions to the Trustee as the Unitholders determine, including a direction to distribute the Securities held by the Trust, or all of them, *in specie*. If the termination occurs earlier than the term of the Trust, the Trust may not have been in existence for the period of time necessary to achieve the business objectives of the Trust.

Leverage of the Trust

The Trust may borrow or incur indebtedness for any purpose, including for the purposes of acquiring investments, distributing Trust Income or Trust Capital Gains or redeeming Units. The requirement to repay principal and pay the associated debt service costs could impair the Trust's ability to make distributions to Unitholders, particularly if the value of the Trust's investments decline and/or the Trust is unable to liquidate some or all of its investments to refinance any such borrowings. If the Trust is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the ability of the Trust to make distributions would be impaired and the value of the Units could be significantly reduced or even eliminated.

In addition, if the borrowings are used to acquire investments, the interest expense and banking fees incurred in respect of any such loans may exceed the incremental capital gains and tax benefits generated by the investments. There can be no assurance that the borrowing strategy employed by the Trust will enhance returns.

Risks relating to redemption

If holders of a substantial number of Units exercise their redemption rights, the number of Units outstanding could be significantly reduced. In any such circumstance, the Trustee may at any time terminate the Trust without the approval of the Unitholders if, in the opinion of the Trustee, it is no longer economically feasible to continue the Trust or the Trustee determines that it would be in the best interests of Unitholders to terminate the Trust.

Lack of independent counsel representing Unitholders

The Trust has consulted with and retained for their benefit legal counsel to advise them in connection with the formation and terms of the Trust and the offering of Units. Unitholders have not, however, as a group been represented by independent legal counsel. Therefore, to the extent that the Unitholders could benefit by further independent review, such benefit will not be available unless individual Unitholders retain their own legal counsel.

Liability for return of distributions

Generally, the Unitholders do not have personal liability for the obligations of the Trust. However, under applicable law, Unitholders could be required to return distributions previously made by the Trust if it is determined that such distributions were wrongfully made or in certain other circumstances under the terms of the Declaration of Trust. Where a Unitholder has received the return of all or part of the amount contributed to the Trust, the Unitholder is nevertheless liable to the Trust or, where the Trust is terminated, to its creditors for any amount, not in excess of the amount returned with interest, necessary to discharge the liabilities of the Trust to all creditors who extended credit or whose claims otherwise arose before the return of the contribution. Additionally, Unitholders may have to return all or a portion of distributions made to them to the extent the Trust has an obligation to withhold any amounts from such distribution for tax purposes.

Recourse to the Trust's assets

The Trust's assets, including any investments made by the Trust and any capital held by the Trust, are available to satisfy all liabilities and other obligations of the Trust. If the Trust itself becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Trust's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

Indemnification

The Trustees, each former Trustee, each officer of the Trust, each former officer of the Trust and Adminco are entitled to indemnification and reimbursement out of the Trust Assets, except under certain circumstances, from the Trust. Such indemnification obligations could decrease the returns which would otherwise be available to the Unitholders of the Trust.

Effect of expenses on returns

Although the Partnership has agreed to bear all costs and expenses related to the activities and business of the Trust, the Trust generally remains responsible to pay the same. Accordingly, if the Partnership were to fail or refuse to pay any such costs or expenses, the Trust would remain liable to pay the same, and if it were to do so, such costs and expenses would reduce, and could eliminate, the actual returns to the Unitholders.

Lack of regulatory oversight

The Trust is not subject to any regulatory oversight in Canada.

RISKS ASSOCIATED WITH THE PARTNERSHIP'S BUSINESS

An investment in Units is an investment in real estate through the Partnership's interest in the Hotel Properties it acquires. Investment in real estate is subject to numerous risks, including the factors listed below and other events and factors which are beyond the control of the Trust.

Acquisition of the London and Waterloo Hotels

Subscribers should note that the Purchase Conditions with respect to the acquisition of either or both of the London and Waterloo Hotels may not be satisfied or waived by the Trust prior to the subscription for Units by a Subscriber. The Trust may choose not to or may not be able satisfy or waive the Purchase Conditions with respect to one or both of the London and Waterloo Hotels prior to the condition date provided for in the purchase agreement to which the Purchase Conditions relate. The Trust may not be able to satisfy the conditions of any Acquisition Financing required to complete the acquisition of the London and Waterloo Hotels. The Trust may not raise sufficient funds from this Offering in order to allow it to pay the Cash to Close with respect either or both of the London and Waterloo Hotels.

Acquisition Risk

The Partnership intends to acquire Hotel Properties selectively. The acquisition of Hotel Properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the Partnership will incur certain risks, including the expenditure of funds on, and the devotion of management's time to, transactions that may not come to fruition. Additional risks inherent in acquisitions include risks that the Hotel Properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired Hotel Property up to standards established for the market position intended for that Hotel Property may prove inaccurate.

General Real Estate Ownership Risks

All real estate property investments are subject to a degree of risk and uncertainty. Hotel Property investments are affected by various factors including general economic conditions, local real estate markets, demand for leased premises, competition from other available premises and various other factors. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real estate property regardless of whether a Hotel Property is producing any income. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Partnership's ability to vary its portfolio promptly in response to changing economic or investment conditions. If for whatever reason, liquidation of assets is required, there is a risk that sale proceeds realized might be less than the current book value of the Partnership's investments or that market conditions would prevent prompt disposition of assets.

Financing Risks

There is no assurance that the Partnership will be able to obtain sufficient financing to finance the acquisition of Properties, or, if available, that Partnership will be able to obtain financing on commercially acceptable terms. Further, there is no assurance or guarantee that any financing, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of Hotel Properties which the Partnership is able to purchase will decrease and the return from the ownership of Hotel Properties (and ultimately the return on an investment in Units) will be reduced. Even if the Partnership is successful in obtaining adequate financing, the Partnership may not be able to generate sufficient funds through the operation of the Hotel Properties to service the financing. If a default occurs under any of the financing, one or more of the lenders could exercise its rights including, without limitation, foreclosure or sale of the Hotel Properties.

Interest Rate Fluctuations

The financing may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Partnership's cost of borrowing.

Joint Ventures and Partnerships

The Trust may, through the Partnership, invest in, or be a participant in, co-tenancies, joint ventures and partnerships with third parties in respect of acquisition of Hotel Properties. The Partnership will be acquiring each of the London and Waterloo Hotels by way of joint venture. A co-tenancy, joint venture or partnership involves certain additional risks, including the following, each of which will apply to the London Hotel Joint Venture Agreement and Waterloo Joint Venture Agreement; (i) the possibility that such co-tenants, co-venturers/partners (such as Palm Holdings Canada and Country Inns with respect to the London and Waterloo Hotels) may at any time have economic or business interests or goals that will be inconsistent with those of the Partnership or take actions contrary to the Partnership's instructions or requests or to the Partnership's policies or objectives with respect to the Hotel Properties; (ii) the risk that such co-tenants, co-venturers/partners (such as Palm Holdings Canada and Country Inns with respect to the London and Waterloo Hotels) could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such Hotel Properties or repay the co-tenants, co-venturers'/partners' share of property debt guaranteed by the Partnership or for which the Partnership will be liable and/or result in the Partnership suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions; (iii) the risk that such co-tenants, co-venturers/partners (such as Palm Holdings Canada and Country Inns with respect to the London and Waterloo Hotels) may, through their activities on behalf of or in the name of, the co-tenancies, ventures or partnerships, expose or subject the Partnership to liability; and (iv) the need to obtain co-tenants, co-venturers'/partners' consents (such as Palm Holdings Canada and Country Inns with respect to the London and Waterloo Hotels) with respect to certain major decisions, including the decision to distribute cash generated from such Hotel Properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the co-tenancies, joint ventures and partnerships (such as with respect to the London and Waterloo Hotels) may be subject to rights of first refusal or first offer and certain of the co-tenancy, joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when the Partnership may not desire to sell but may be forced to do so because the Partnership does not have the cash to purchase the other party's interests. Such rights may also inhibit the Partnership's ability to sell an interest in a property or a co-tenancy/joint venture/partnership within the time frame or otherwise on the basis the Partnership desires.

Termination of Franchise Agreement License Agreements and Management Agreements

Each Hotel Property acquired by the Trust will be operated under a Franchise License Agreement with one of Hilton, InterContinental, Marriot or Starwood hotels or other such other major brands of North American hotels as the Trustees, in their sole discretion, may determine. The termination of such an Agreement with respect to a Hotel Property owned by the Trust could adversely affect the ability of the Trust to continue to profitably operate the Hotel and could result in the loss of market share by that Hotel Property. Hotel Properties acquired by the Trust are expected to be managed by third party managers such as Palm Hospitality Inc. in the case of the London/Waterloo Hotels. The termination of such an Agreement with respect to a Hotel Property owned by the Trust could also adversely affect the ability of the Trust to continue to profitably operate the Hotel and could result in the loss of market share by that Hotel Property.

General Economic Conditions

The current general economic conditions, including in Canada and the U.S. and a worldwide economic slowdown, together with market disruptions to the credit and financial markets in Canada, the U.S. and the rest of the world may adversely affect the Trust's activities and its investments. In addition, worldwide falling oil and natural gas commodity prices have resulted in an economic slowdown in western Canada. Other current market conditions may include, among other things, the insolvency of market participants, tightening lending standards and decreased availability of cash, changes in employment levels, retail sales levels and real estate values. These market conditions may affect occupancy levels in Hotel Properties acquired by the Trust and the Trust's and the Partnerships' ability to obtain credit on favorable terms for future Hotel Property acquisitions.

Environmental Matters

Under various environmental and ecological laws, the Partnership and/or its subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of the Hotel Properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Trust's ability to sell such Hotel Property or to borrow using the Hotel Property as collateral, and could potentially also result in claims against the Partnership by third parties.

Uninsured Losses

The Trust will arrange for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those to be owned by the Partnership or its subsidiaries and will endeavor to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the Hotel Properties, the Trust could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such Hotel Properties.

Reliance on Property Management

The Trust may rely upon independent management companies (other than the Hospitality Subsidiaries), such as Palm Hospitality Inc. with respect to the London/Waterloo Hotels, to perform property management functions in respect of each of the Hotel Properties. To the extent, the Trust relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the Hotel Properties as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the Hotel Properties and their other development, investment and/or management activities.

Competition for Real Property Investments

The Trust will compete for suitable real property investments with individuals, corporations, REITs and similar vehicles, and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future real property investments similar to those sought by the Trust. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments.

The Trust will compete with other owners of hotels in North America. Some of the hotels of the competitors of the Trust may be newer, better located or better capitalized than the Hotel Properties acquired by the Trust. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the Trust. The existence of competing Hotel owners could have a material adverse effect on the ability of the Trust to operate the Hotel Properties acquired by it and could adversely affect the revenues or profitability of the Partnership and the Trust and the Partnership's ability to meet its debt obligations to its acquisition lenders.

Revenue Shortfalls

Revenues from the Hotel Properties may not increase sufficiently to meet increases in operating expenses or debt service payments under the financing or to fund changes in the variable rates of interest charged in respect of such loans.

Fluctuations in Capitalization Rates

As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

Timing for Investment of Net Subscription Proceeds

The time period for the full investment of such proceeds of this Offering is not certain. The timing of such investment will depend, among other things, upon the identification of Hotel Properties meeting the Investment Restrictions and some or all of the Operating Policies. There is a risk that the Trust may not invest all proceeds of the Offering in Properties in a timely manner and may not be able to generate sufficient funds to pay the expected distributions.

Currency Exchange Rate Risk

The revenues and expenses of the Hotel Properties acquired in the United States will be denominated in USD and distributions will be made to the Trust in USD. The Trust will convert such distribution amounts received into Canadian dollars prior to distribution to Unitholders. As a consequence, distributions of the Trust will be affected by fluctuations in the Canadian/USD exchange rate. The Trust does not intend to enter into any hedging arrangements to limit the impact of changes in the Canadian/USD exchange rate for holders of Units and therefore holders of Units will have full exposure to changes in the exchange rate between the Canadian and USD.

Possible Loss of Limited Liability of Limited Partners

Limited partners may lose their limited liability in certain circumstances, including by taking part in the control of the partnership's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. If limited liability is lost, there is a risk that limited partners may be liable beyond their contribution and share of the Trust's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the General Partner's net assets and the Trust's net assets.

RISK FACTORS RELATING TO CANADIAN TAXES

Taxation of Partnerships – The SIFT Rules apply to a partnership that is a “SIFT partnership” as defined in the Tax Act. Provided that either:

- (a) the Units and any other securities issued by the Trust, or any securities that derive their value from, or replicate the return on, the Units, are not listed or traded on a stock exchange or other organized facility; or
- (b) a partnership does not own “non-portfolio property” (as defined in the Tax Act), it will not be subject to the SIFT Rules. The Trust does not expect the Trust, Partnership or Acquisition LP's to own “non-portfolio property”, in which case these entities will not be subject to the SIFT Rules. However, there can be no assurance that the SIFT Rules or the administrative policies or assessing practices of the CRA will not be changed in a manner that adversely affects the Trust, the Partnership, the Acquisition LP's and Unitholders.

Tax Aspects - Canadian federal and provincial tax aspects should be considered prior to investing in the Trust Units. See Item 6 - “Income Tax Consequences and Deferred Plan Eligibility”.

The return on a Trust Unitholder's investment is subject to changes in Canadian tax laws. The discussion of income tax considerations in this Offering Memorandum is based upon current income tax laws. There can be no assurance that:

- (a) applicable tax laws, regulations or judicial or administrative interpretations will not be changed;
- (b) applicable tax authorities will not take a different view as to the interpretation or the application of tax laws and regulations than the Trust or than as set out in this Offering Memorandum; or
- (c) the facts upon which the tax discussions set out in this Offering Memorandum are based are materially correct.

Any of the preceding may fundamentally alter the tax consequences to investors of holding or disposing of Units.

The discussion of certain Canadian federal income tax considerations contained in this Offering Memorandum is provided for information purposes only and is not a complete analysis or discussion of all potential tax considerations that may be relevant to the acquisition of Units.

All investors will be responsible for the preparation and filing of their own tax returns in respect of this investment

Prospective investors are urged to consult their own tax advisors, prior to investing in the Trust, with respect to the specific tax consequences to them from the acquisition of Trust Units.

Taxable Income – In general, a Unitholder must include in computing the Unitholder's income, gain, loss and deduction the Unitholder's proportionate share of income of the Trust allocated to the Unitholder pursuant to the Trust's Declaration of Trust for the fiscal period of the Trust ending on or within the Unitholder's taxation year.

However, the cash distributed to a Unitholder may not be sufficient to pay the full amount of such Unitholder's tax liability in respect of its investment in the Trust. In addition, no assurances can be given that the Trust will make the cash distributions intended. Even if the Trust is unable to distribute cash in amounts that are sufficient to fund the Unitholders' tax liabilities, each of the Unitholders will still be required to pay income taxes on its proportionate share of Trust's taxable income.

Foreign Taxes – Foreign taxes paid by the Holding LP will be allocated to Unitholders pursuant to the Partnership Agreement and the Declaration of Trust. A Unitholder's share of the "business-income tax" and "non-business-income tax" paid in a foreign country for a year will be creditable against its Canadian federal income tax liability to the extent permitted by the detailed rules contained in the Tax Act. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise. Proposed Amendments released on August 27, 2010 address certain Foreign Tax Credit Generator Proposals. Under the Foreign Tax Credit Generator Proposals, the foreign "business income tax" or "non-business-income tax", each as defined in the Tax Act, for any taxation year may be limited in certain circumstances, including where a partner's share of the partnership's income under the income tax laws of any country (other than Canada) under whose laws the income of the partnership is subject to income taxation, is less than the partner's share of such income for purposes of the Tax Act. No assurances can be given that the Foreign Tax Credit Generator Proposals will not apply to any Unitholder. If the Foreign Tax Credit Generator Proposals apply, a Unitholder's foreign tax credits will be limited.

For all of the above reasons and others set forth herein, the Units involve a certain degree of risk. Any person considering the purchase of Units should be aware of these and other factors set forth in this Offering Memorandum and should consult with his or her legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their investment.

ITEM 9 - REPORTING OBLIGATIONS

AdminCo will send (or make available if sending is not required under applicable securities laws) to Unitholders at least 21 days prior to the date of each general meeting of Unitholders, or if no general meeting is to be held in that year within six months of the fiscal year end, the annual audited financial statements of the Trust, together with comparative financial statements for the preceding fiscal year, if any, and the report of the Auditors thereon.

Such financial statements shall be prepared in accordance with GAAP provided that such statements and the obligations to deliver such statements may vary from such principles to the extent required to comply with applicable securities laws or securities regulatory requirements or to the extent permitted by applicable securities regulatory authorities.

AdminCo will, within the time frame required under the Tax Act, forward to each Unitholder who received distributions from the Trust in the prior calendar year, such information and forms as may be needed by the Unitholder in order to complete its income tax return in respect of the prior calendar year under the Tax Act and equivalent provincial legislation in Canada.

The Trust is not a "reporting issuer" or equivalent under the securities legislation of any jurisdiction. Accordingly, the Trust is not subject to the "continuous disclosure" requirements of any securities legislation and there is therefore no requirement that the Trust make ongoing disclosure of its affairs including, without limitation, the disclosure of financial information on a quarterly basis or the disclosure of material changes in the business or affairs of the Trust.

The Trust will deliver to prospective investors certain documents, including this Offering Memorandum, a subscription agreement and any updates or amendments to the Offering Memorandum required by law, from time to time by way of facsimile or e-mail. In accordance with the terms of the subscription agreement provided to prospective investors, delivery of such documents by email or facsimile shall constitute valid and effective delivery of such documents unless the Trust receives actual notice that such electronic delivery failed. Unless the Trust receives actual notice that the electronic delivery failed, the Trust is entitled to assume that the facsimile or e-mail and the attached documents were actually received by the prospective investor and the Trust will have no obligation to verify actual receipt of such electronic delivery by the prospective investor.

ITEM 10 - RESALE RESTRICTIONS AND REDEMPTION RIGHTS

10.1 GENERAL

The Units will be subject to a number of resale restrictions, including restrictions on trading. Until the restriction on trading expires, you will not be able to trade the Units unless you comply with an exemption from the prospectus and registration requirements under securities legislation. Additionally, Unitholders will not be permitted to transfer their Units without the consent of the Trustees. The Trustees may, in their sole discretion, unreasonably withhold their consent to any transfer of Units while this Offering or any amendment or replacement thereof is on-going. See Item 2.5 - Material Agreements - Summary of the Declaration of Trust - "Transfer of Units" and "Restrictions on Non-Resident Ownership".

10.2 RESTRICTED PERIOD

Unless permitted under securities legislation, a Unitholder cannot trade the Units before the date that is four months and a day after the date the Trust becomes a reporting issuer in any province or territory in Canada. Since the Trust is not a reporting issuer in any province or territory, the applicable hold period for Subscribers may never expire, and if no further exemption may be relied upon and if no discretionary order is obtained, this could result in a Subscriber having to hold the Units acquired under the Offering for an indefinite period of time.

10.3 MANITOBA RESALE RESTRICTIONS

In addition to the above, for subscribers resident in Manitoba, unless permitted under securities legislation, a Unitholder must not trade the Units without the prior written consent of the regulator in Manitoba, unless the Trust has filed a prospectus with the regulator in Manitoba with respect to the Units and the regulator in Manitoba has issued a receipt for that prospectus, or the Unitholder has held the Units for at least 12 months. The regulator in Manitoba will consent to such a trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

The Trustee must approve of any proposed disposition. It is the responsibility of each individual Subscriber to ensure that all forms required by the applicable securities legislation are filed as required upon disposition of the Units acquired pursuant to this Offering.

10.4 REDEMPTION RIGHTS

Each holder of Trust Units shall be entitled to require the Trust, on the demand of such holder of Trust Units, to redeem all or any part of the Trust Units registered in the name of such holder of Trust Units at the Redemption Price. See Item 2.5 – "Material Agreements – Summary of Declaration of Trust – Redemption of Units" for the specific terms of Unitholder's rights of redemption.

10.5 HARDSHIP REDEMPTION

A Unitholder, or his or her personal representative, as the case may be, shall be entitled to request the Trust to redeem (a "Hardship Redemption") up to the entire amount of a Unitholder's Trust Units, for the Hardship Redemption Amount per Unit, at any time upon written notice (a "Hardship Redemption Notice") to the head office of the Trust, in the event of the death or permanent disability of an individual Unitholder holding Trust Units or in the event of the death or permanent disability of the spouse of an individual Unitholder holding Trust Units or upon any act whether voluntary or involuntary of bankruptcy by an individual Unitholder holding Trust Units. The approval of any request for a Hardship Redemption shall only occur when permitted by law and shall be at the sole and unfettered discretion of the Trustees. Where a Hardship Redemption is approved by the Trustees, the Trust shall pay the aggregate of the Hardship Redemption Amount in cash to a Unitholder within 60 days of the receipt of a Hardship Redemption Notice.

The foregoing is a summary only of resale restrictions relevant to a purchaser of the securities offered hereunder. It is not intended to be exhaustive. All subscribers under this Offering should consult with their legal advisors to determine the applicable restrictions governing resale of the securities purchased hereunder including the extent of the applicable hold period and the possibilities of utilizing any further statutory exemptions or obtaining a discretionary order.

ITEM 11 - PURCHASERS' RIGHTS

If you purchase these Units you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

11.1 TWO DAY CANCELLATION RIGHT

You can cancel your agreement to purchase these Units. To do so, you must send a notice to AdminCo by midnight on the 2nd business day after you sign the Subscription Agreement to buy the Units.

11.2 STATUTORY RIGHTS OF ACTION IN THE EVENT OF A MISREPRESENTATION

Securities legislation in certain of the provinces of Canada provides purchasers with a statutory right of action for damages or rescission in cases where an offering memorandum or any amendment thereto contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or is necessary to make any statement contained therein not misleading in light of the circumstances in which it was made (a “**misrepresentation**”). These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by purchasers within the time limits prescribed and are subject to the defences and limitations contained under the applicable securities legislation. Purchasers of Units resident in provinces of Canada that do not provide for such statutory rights will be granted a contractual right similar to the statutory right of action and rescission described below for purchasers resident in Ontario and such right will form part of the subscription agreement to be entered into between each such purchaser and the Trust in connection with this Offering.

The following summaries are subject to the express provisions of the securities legislation applicable in each of the provinces of Canada and the regulations, rules and policy statements thereunder. Purchasers should refer to the securities legislation applicable in their province along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor. The contractual and statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy that purchasers may have at law.

Rights of Purchasers in Alberta

If you are a resident of Alberta, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust, every Person who was a Trustee at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after the day you purchased the securities.

Rights of Purchasers in British Columbia

If you are a resident of British Columbia, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust, every Person who was a Trustee at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after the day you purchased the securities.

Rights of Purchasers in Saskatchewan

If you are a resident of Saskatchewan and if there is a misrepresentation in this Offering Memorandum, or any amendment thereto, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust, every promoter of the Trust, every Person who was a Trustee at the date of this Offering Memorandum, every Person whose consent has been filed respecting the offering but only with respect to reports, opinions and statements made by that Person, and every other Person who signed this Offering Memorandum.

These statutory rights to sue are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six (6) years after the day you purchased the securities.

Rights of Purchasers in Manitoba

If you are a resident of Manitoba, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to rescind your agreement to buy these securities, or
- (b) for damages against the Trust, every Person who was a Trustee at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

These statutory rights to sue are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to rescind the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action or two (2) years after the day you purchased the securities.

Rights of Purchasers in Ontario

If you are a resident of Ontario, and if there is a misrepresentation in this Offering Memorandum, a purchaser who purchases a security offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, the following rights:

- (a) the purchaser has a right of action for damages against the Trust and a selling securityholder on whose behalf the distribution is made, or
- (b) where the purchaser purchased the securities from a Person or the Trust referred to in clause (a), the purchaser may elect to exercise a right of rescission against the Person or the Trust, in which case the purchaser shall have no right of action for damages against such Person or the Trust.

The Trust will not be held liable under this paragraph if the subscriber purchased the securities with the knowledge of the misrepresentation. In an action for damages, the Trust will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon and in no case will the amount recoverable under this paragraph exceed the price at which the securities were sold to the subscriber.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the day you purchased the securities.

Rights of Purchasers in Nova Scotia

If you are a resident of Nova Scotia and if there is a misrepresentation in this Offering Memorandum, or any amendment thereto, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust, every Person who was a Trustee at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

These statutory rights to sue are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three (3) years after the day you purchased the securities.

Rights of Purchasers in New Brunswick

If you are a resident of New Brunswick and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy these securities, or
- (b) for damages against the Trust or the seller.

The Trust will not be held liable under this paragraph if the subscriber purchased the securities with the knowledge of the misrepresentation. In an action for damages, the Trust will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon and in no case will the amount recoverable under this paragraph exceed the price at which the securities were sold to the subscriber. Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six years after the day you purchased the securities.

Rights of Purchasers in Newfoundland and Labrador, Northwest Territories, Nunavut or Prince Edward Island

If you are a resident of Newfoundland and Labrador, Northwest Territories, Nunavut or Prince Edward Island, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to rescind your agreement to buy these securities, or
- (b) for damages against the Trust, the selling security holder on whose behalf the distribution is made, every Person who was a Trustee at the date of this Offering Memorandum and every other Person who signed this Offering Memorandum.

These statutory rights to sue are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the Persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. Additionally, if you elect to exercise a right of rescission against the Trust, you will have no right of action against the Persons described in (b) above.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to rescind the agreement within 180 days after the date that you purchased the securities. You must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action or three (3) years after the day you purchased the securities.

Rights of Purchasers in Quebec

If this Offering Memorandum, together with any amendment to it, is delivered to a Subscriber resident in Quebec and contains a Misrepresentation that was a Misrepresentation at the time of purchase, the Subscriber will be deemed to have relied upon the Misrepresentation and will have a statutory right of action against the issuer, the Trustees of the issuer or any dealer under contract with the issuer for damages or for rescission or revision of the price. This right of action is subject to the following limitations:

- (a) the right of action for rescission or revision of the price must be exercised within three years of the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission or revision of the purchase price, the earlier of: (i) three years after the plaintiff first had knowledge of the facts giving rise to the cause of action unless the delay in knowledge is caused by the negligence of the plaintiff, or (ii) five years after the Offering Memorandum is filed with Autorité des marchés financiers du Quebec;
- (b) no person or company will be liable if it proves that the Subscriber acquired the Notes with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, the Trustees of the issuer or the dealer under contract with the issuer will not be liable if they acted with prudence and diligence; and
- (d) a defendant may defeat an action based on a misrepresentation in forward-looking information by proving that
 - (i) the document containing the forward-looking information contained, 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; and
 - (ii) the defendant had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

Rights for Subscribers in Yukon Territory

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this Offering Memorandum, then you have a statutory right to sue in Yukon:

- (a) for the Trust to cancel your agreement to buy these securities; or
- (b) for damages against the Trust, every person who was a Trustee of the Trust at the date of this Offering Memorandum and any other person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your securities as a result of the misrepresentation. Furthermore, the amount recoverable in an action for damages will not exceed the price at which the securities were offered. There are various defences available to the persons or companies that you have a right to sue. For example, they have a defence if you knew of the misrepresentation when you purchased the securities.

The defendant will not be liable for a misrepresentation in forward-looking information if the Trust proves that:

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

However, in Yukon, the above defence does not relieve a person of liability respecting forward-looking information in a financial statement required to be filed under Yukon securities laws.

If you intend to rely on the statutory right to sue described above, you must do so within strict time limitations.

In Yukon, you must commence your action to cancel the agreement within 180 days after the transaction or commence your action for damages within the earlier of: (i) 180 days after learning of the misrepresentation, or (ii) three years after the transaction.

Statutory Rights for Failure to Deliver the Offering Memorandum in Yukon

If you reside in Yukon and you did not receive a copy of this Offering Memorandum before you signed your Subscription Agreement, you have a right to sue for damages, or if you still own your securities, you can choose to cancel your agreement instead of suing for damages.

General

The securities laws of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon, Nunavut and Northwest Territories are complex. Reference should be made to the full text of the provisions summarized above relating to rights of action.

Subscribers should consult their own legal advisers with respect to their rights and the remedies available to them. The rights discussed above are in addition to and without derogation from any other rights or remedies, which subscribers may have at law.

THE FOREGOING IS A SUMMARY ONLY AND SUBJECT TO INTERPRETATION. REFERENCE SHOULD BE MADE TO THE APPLICABLE SECURITIES LEGISLATION, THE REGULATIONS AND THE RULES THEREUNDER FOR THE COMPLETE TEXT OF THE PROVISIONS UNDER WHICH THE FOREGOING RIGHTS ARE CONFERRED. THE FOREGOING SUMMARY IS SUBJECT TO THE EXPRESS PROVISIONS THEREOF.

ITEM 12 - FINANCIAL STATEMENTS

12.1 THE TRUST

Collins Barrow Calgary LLP
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777 – 8th Avenue S.W.
Calgary, Alberta, Canada
T2P 3R5

T. 403.298.1500
F. 403.298.5814

e-mail: calgary@collinsbarrow.com

Consent of Collins Barrow Calgary LLP

To: Trustees of Prestige Hospitality Opportunity Fund - I

We have read the Offering Memorandum of Prestige Hospitality Opportunity Fund - I (the "Fund") dated January 27, 2016 relating to the issuance of Trust units of the Fund at \$0.95 per Trust unit until the later of March 16, 2016 and the closing date of the acquisition of the London Hotel by the Partnership, after which the price will increase to \$1.00 per Trust unit, for gross proceeds of up to \$47,218,110. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation in the above-mentioned Offering Memorandum of our report to the Trustees of the Fund on the statement of financial position as at December 31, 2015 and the statements of loss and comprehensive loss, changes in net assets (liabilities) attributable to unitholders of redeemable fund units and cash flows for the period from formation on January 9, 2015 to December 31, 2015 of Prestige Hospitality Opportunity Fund - I. Our report is dated January 27, 2016.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
January 27, 2016

**Prestige Hospitality Opportunity
Fund - I
Financial Statements
Period from Formation on January 9, 2015
to December 31, 2015**

Independent Auditors' Report

To the Trustees
Prestige Hospitality Opportunity Fund - I

We have audited the accompanying financial statements of Prestige Hospitality Opportunity Fund - I, which comprise the statement of financial position as at December 31, 2015, and the statements of loss and comprehensive loss, changes in net assets attributable to holders of redeemable fund units and cash flows for the period from formation on January 9, 2015 to December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prestige Hospitality Opportunity Fund - I as at December 31, 2015, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
January 27, 2016

Prestige Hospitality Opportunity Fund - I

Statement of Financial Position

December 31, 2015

(expressed in Canadian dollars)

Assets

Current assets

| | |
|-----------------------------------|--------------|
| Cash | \$ 3,884 |
| Due from related parties (note 4) | <u>3,472</u> |

Total current assets 7,356

Investment in Partnership (note 5) 2,781,889

Total assets \$ 2,789,245

Liabilities

Current liabilities

| | |
|--|----------|
| Accounts payable and accrued liabilities | \$ 8,000 |
|--|----------|

Net assets attributable to holders of redeemable Fund Units 2,781,245

Total liabilities and net assets attributable to holders of redeemable Fund Units \$ 2,789,245

Commitments (note 9)
Subsequent events (note 11)

See accompanying notes to the financial statements.

Approved by the Prestige Hospitality Opportunity Fund - I AdminCo Inc.,
Administrator of Prestige Hospitality Opportunity Fund - I

Signed "Saleem Budhwani", Director

Signed "Curtis Potyondi", Director

Prestige Hospitality Opportunity Fund - I
Statement of Loss and Comprehensive Loss
Period from Formation on January 9, 2015 to December 31, 2015

(expressed in Canadian dollars)

Expenses

| | |
|----------------------------|-----------------|
| General and administrative | \$ 29,119 |
| Less: Expenses recovered | <u>(28,475)</u> |
| | <u>644</u> |

| | |
|---|---------------|
| Decrease in net assets attributable to holders of redeemable Fund Units | <u>\$ 644</u> |
|---|---------------|

See accompanying notes to the financial statements.

Prestige Hospitality Opportunity Fund - I
Statement of Changes in Net Assets Attributable to Holders of Redeemable Fund Units
Period from Formation on January 9, 2015 to December 31, 2015
(expressed in Canadian dollars)

| | Net assets (liabilities) attributable to unitholders |
|--|---|
| Balance, January 9, 2015 | \$ - |
| Issuance of initial redeemable Fund Unit (note 6) | 100 |
| Redemption of initial redeemable Fund Unit (note 6) | (100) |
| Issuance of redeemable Fund Units (note 6) | 2,781,889 |
| Decrease in net assets attributable to holders of redeemable Fund Units | <u>(644)</u> |
| Balance, December 31, 2015 | <u><u>\$ 2,781,245</u></u> |

See accompanying notes to the financial statements.

Prestige Hospitality Opportunity Fund - I

Statement of Cash Flows

Period from Formation on January 9, 2015 to December 31, 2015

(expressed in Canadian dollars)

Cash provided by (used in):

Operating activities

| | | |
|--|----|-------|
| Decrease in net assets attributable to holders of redeemable funds units | \$ | (644) |
|--|----|-------|

Adjustments

| | | |
|---|--|--------------|
| Changes in non-cash working capital relating to operating activities (note 8) | | <u>8,000</u> |
|---|--|--------------|

| | | |
|------------------------------------|--|--------------|
| Net cash from operating activities | | <u>7,356</u> |
|------------------------------------|--|--------------|

Financing activities

| | | |
|---|--|--------------|
| Proceeds on issuance of redeemable Fund Units | | 2,781,989 |
| Redemption of initial redeemable Fund Unit | | <u>(100)</u> |

| | | |
|------------------------------------|--|------------------|
| Net cash from financing activities | | <u>2,781,889</u> |
|------------------------------------|--|------------------|

Investing activities

| | | |
|-----------------------------|--|----------------|
| Investment in Partnership | | (2,781,889) |
| Advances to related parties | | <u>(3,472)</u> |

| | | |
|---------------------------------------|--|--------------------|
| Net cash used in investing activities | | <u>(2,785,361)</u> |
|---------------------------------------|--|--------------------|

| | | |
|--|----|---------------------|
| Cash inflow, being cash, end of period | \$ | <u><u>3,884</u></u> |
|--|----|---------------------|

See accompanying notes to the financial statements.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

1. General business description

Prestige Hospitality Opportunity Fund - I the "Partnership" was formed pursuant to a Declaration of Trust dated January 9, 2015.

The Partnership has been established with the objective of investing indirectly in existing operating hotel properties located in major municipal centres within North America and provide mezzanine style loans to hotel operators operating hotels in major municipal centres within North America as a leveraged mechanism to acquire equity positions in ownership of hotels through its acquisition of limited partnership units in Prestige Hospitality Opportunity Fund - I LP (the "Partnership").

In all circumstances the net income, net loss, taxable income or tax loss for a given fiscal year of the Partnership is to be allocated as follows:

- (a) firstly, 0.01% thereof, to the General Partner;
- (b) secondly, the balance of 99.99% to the Limited Partners in accordance with their proportionate share;
- (c) thirdly, if at any time there are no Limited Partners, then any amount which would have been allocated to the Limited Partners will be allocated to the General Partner.

In all circumstances, the distributable cash for each fiscal year of the Partnership will be allocated as follows:

- (i) with respect to the General Partner, 0.01% thereof;
- (ii) the Class A proportionate share of distributable cash to the holders of Class A Units in accordance with their Class A proportionate share;
- (iii) the Class B proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class B Units in accordance with their Class B proportionate share until each holder of Class B Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid preferred return with respect to Class B LP Units; thereafter

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

- (3) thirdly, 70% to the holders of Class B Units in accordance with their Class B proportionate share and 30% to the holders of Class A LP Units in accordance with their Class A proportionate share subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class B Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 70% of the Class B proportionate share of distributable Cash (the "Class B Unit Entitlement Threshold") and the General Partner, in its discretion, may adjust the Class B distribution ratio between the holders of Class A LP Units and the holders of Class B LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of distributable cash to the holders of Class B LP Units does not exceed the Class B Unit Entitlement Threshold;
- (iv) the Class C proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class C LP Units in accordance with their Class C proportionate share until each holder of Class C LP Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid preferred return with respect to Class C LP Units; thereafter
 - (3) thirdly, 72.5% to the holders of Class C LP Units in accordance with their Class C proportionate share and 27.5% to the holders of Class A LP Units in accordance with their Class A proportionate share subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class C Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 72.5% of the Class C proportionate share of distributable cash (the "Class C Unit Entitlement Threshold") and the General Partner, in its discretion, may adjust the Class C distribution ratio between the holders of Class A LP Units and the holders of Class C LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of distributable cash to the holders of Class C LP Units does not exceed the Class C Unit Entitlement Threshold;
- (v) the Class D proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class D LP Units in accordance with their Class D proportionate share until each holder of Class D LP Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid preferred return with respect to Class D LP Units; thereafter
 - (3) thirdly, 75% to the holders of Class D LP Units in accordance with their Class D proportionate share and 25% to the holders of Class A LP Units in accordance with their Class A proportionate share subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class D Units, inclusive of all amounts distributed pursuant to subparagraph

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

(2) above, shall not exceed 75% of the Class D proportionate share of distributable cash (the "Class D Unit Entitlement Threshold") and the General Partner, in its discretion, may adjust the Class D distribution ratio between the holders of Class A LP Units and the holders of Class D LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of distributable cash to the holders of Class LP D Units does not exceed the Class D Unit Entitlement Threshold;

- (vi) the Class E proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class E LP Units in accordance with their Class E proportionate share until each holder of Class E LP Units has received return of their capital contributions in respect of all such Units held; thereafter;
 - (2) secondly, 85% to the holders of Class E LP Units in accordance with their Class E proportionate share and 15% to the holders of Class A LP Units in accordance with their Class A proportionate share;
- (vii) the Class F proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class F LP Units in accordance with their Class F proportionate share until each holder of Class F LP Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly, 87.5% to the holders of Class F LP Units in accordance with their Class F proportionate share and 12.5% to the holders of Class A LP Units in accordance with their Class A proportionate share;
- (viii) the Class G proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class G LP Units in accordance with their Class G proportionate share until each holder of Class G LP Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly 90% to the holders of Class G LP Units in accordance with their Class G proportionate share and 10% to the holders of Class A LP Units in accordance with their Class A proportionate share; and
- (ix) with respect to Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O LP Units, the General Partner in its discretion may allocate any of the distributions to be made to the Class A LP Units in sub-paragraphs (i)-(viii) above to the holders of Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O LP Units on any terms on its discretion that it so chooses.

The beneficiaries of the unincorporated Partnership are the unitholders. The financial statements present only the assets, liabilities, and results of operations of the Partnership.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

The Partnership is managed by Prestige Hospitality Opportunity Fund - I AdminCo Inc. (the "Administrator"). The address and principal place of business of the Partnership is #2000, 2021 - 100 Avenue NE, Calgary, Alberta, T3J 0R3.

Under the Income Tax Act (Canada), the Partnership is subject to income taxes only on income that is not distributed or distributable to the unitholders. The Partnership, to date, has no undistributed income, consequently no income tax provisions or recovery, nor income tax asset or liability is reflected in the financial statements.

2. Basis of preparation

(a) Statement of compliance

The financial statements for the period ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized for issue by the Trustees on January 27, 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- i) any derivative financial instruments are measured at fair value; and
- ii) any held-for-trading financial assets are measured at fair value; with changes in fair value recorded in earnings.

The methods used to measure fair values are discussed in note 10.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following discussion sets forth management most critical estimates and assumptions in determining the value of assets, liabilities and unitholder's equity:

Investment in partnership units

Amounts used for impairment calculations on the investment in the Partnership are based on estimates by management of the underlying values of the assets of the Partnership. By their nature, such estimates, including the estimates of future prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty. Accordingly, the impact to the financial statements in future periods could be material.

Classification of Fund Units

In determining whether the Fund Units should be classified as liabilities or equity, management has assessed whether the Partnership Units contain a contractual agreement to deliver cash or another financial asset to another entity, whether the units are puttable, and whether the criteria in IAS 32 Financial Instruments: Presentation, which permit classification of a puttable instrument as equity have been satisfied. The Fund Units have different allocations of distributable cash (note 1) and have been determined to be classified as a liability as they do not have identical features.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the period presented in these financial statements.

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The effective interest method is used for financial instruments measured at amortized cost and allocates interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the instrument, to the net carrying amount on initial recognition.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

(i) Financial assets

Financial assets include cash, due from related parties and the investment in Partnership. Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Partnership. Financial assets are derecognized when the rights to receive cash flows have expired or are transferred and the Partnership has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

Financial assets at fair value through profit or loss

CLASSIFICATION

Financial assets at "fair value through profit or loss" are either classified as held for trading or "designated at fair value through profit or loss". A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and its performance is evaluated on a fair value basis, in accordance with the Partnership's documented risk management or investment strategy. The Partnership has designated cash as "fair value through profit or loss".

RECOGNITION AND MEASUREMENTS

Financial assets carried at fair value through profit or loss are initially recognized, and subsequently carried, at fair value, with changes recognized in the statement of loss and comprehensive loss. Transaction costs are expensed when incurred.

Loans and receivables

CLASSIFICATION

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. Assets in this category include amounts due from related parties and investment in the partnership.

RECOGNITION AND MEASUREMENT

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

Available-for-sale financial assets

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They consist of investments in equity securities and certain other debt securities. They are included in other non current financial assets unless management intends to dispose of the investment within 12 months of the statement of financial position date. Available-for-sale financial assets are recorded at fair value with unrealized gains and losses recorded in other comprehensive income until realized, at which time they are recorded through profit or loss. The Partnership has not designated any financial assets as available for sale.

Reclassification of financial assets

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

(ii) Financial liabilities

Financial liabilities consist of accounts payable and accrued liabilities and redeemable Fund Units.

Financial liabilities are initially measured at fair value plus any directly attributable transactions costs and subsequently measured at amortized cost for liabilities that are not hedged, using the effective interest method, and fair value for liabilities that are hedged. Non performance risk, including the Partnership's own credit risk for financial liabilities, is considered when determining the fair value of financial liabilities. The Partnership derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(iii) Redeemable Fund Units

The redeemable Fund Units are classified as a financial liability.

(iv) Impairment

The Partnership assesses at each statement of financial position date whether there is objective evidence that a financial asset, other than those at fair value through profit or loss, or a group of financial assets, is impaired. When an impairment has occurred, the cumulative loss is recognized in profit or loss.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables may include the Partnership's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited through the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Any increase in fair value subsequent to an impairment loss with respect to available-for-sale equity instruments is recognized in other comprehensive income.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

(b) Provisions and contingent liabilities

Provisions and contingent liabilities are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Provisions and contingent liabilities are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(c) Income taxes

The Partnership is a taxable entity under the *Income Tax Act* (Canada), but is taxable only on income that is not distributed or distributable to unitholders.

(d) Recent accounting pronouncements

The following accounting pronouncements have been released but have not yet been adopted by the Partnership:

Financial Instruments

IFRS 9 - Financial Instruments

IFRS 9, "*Financial Instruments*" provides a comprehensive new standard for accounting for all aspects of financial instruments. It includes a logical model for classification and measurement, a single, forward-looking 'expected-loss' impairment model and a substantially reformed approach to hedge accounting. The new standard is effective for years beginning on or after January 1, 2018.

Revenue Recognition

IFRS 15 - Revenue from Contracts and Customers

IFRS 15, *Revenue From Contracts With Customers*, will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

In July 2015, the IASB amended IFRS 15 to defer the effective date to years beginning on or after January 1, 2018, with early adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach.

The Partnership has not yet completed its assessment and evaluation of the effect of adopting the new standards and the impact they may have on its financial statements.

4. Related party transactions

The amount due from related parties outstanding at December 31, 2015 relates to expenses paid on behalf of the Partnership by the Fund.

The amounts due from related parties are unsecured, non-interest bearing and have no specified terms of repayment.

5. Investment in Partnership

As at December 31, 2015, the Fund has invested in 1,203,908 Class B, 111,112 Class C, 1,511,504 Class E, and 199,334 Class F Partnership units of the Partnership at a total cost of \$2,781,889.

The Fund Units are redeemable on demand by the unitholder of the Fund. The redemption price will be determined as follows: (i) where a request for redemption by a unitholder occurs within 12 months of the date of issue of a Unit certificate, the redemption price shall be the Partnership Unit net asset value per Unit to be redeemed less 12%; (ii) if a request for redemption occurs between the 12 and 24 month anniversary of the date of issue of a unit certificate, the redemption price shall be the Partnership Unit net asset value per Unit to be redeemed less 7%; and (iii) if a request for redemption occurs after the 24 month anniversary of the date of issue of a unit certificate, the redemption price shall be the Partnership Unit net asset value per Unit to be redeemed.

The Fund does not control the Partnership, and the investment in the Partnership has been recorded as a financial asset and classified as "loans and receivables" due to the redemption feature.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

6. Unitholder's equity

(a) Authorized

Unlimited number of Class B - G Trust units

(b) Issued

The Fund units are considered to be a liability due to their redemption features. The amounts outstanding consist of the following:

| | Number of Units | Total Amount |
|--|--------------------|---------------------|
| Balance at January 9, 2015 | - | \$ - |
| Issuance of redeemable Fund Unit on formation | 1 | 100 |
| Redemption of initial Fund Unit | (1) | (100) |
| Issuance of redeemable Fund Units | <u>3,025,858</u> | <u>2,781,889</u> |
| Balance, December 31, 2015 | <u>3,025,858</u> | <u>\$ 2,781,889</u> |

The Partnership has issued 1 Class B Fund Unit for gross proceeds of \$100 upon formation of the Partnership. The initial Fund Unit was redeemed by the Fund at a price of \$100 immediately after the issuance of the additional Trust Units.

The Fund has issued 664,884 Class B Fund Units at a price of \$0.90 per Unit and 539,024 Class B Fund Units at a price of \$0.95 per Unit for total cash consideration of \$1,110,468.

The Fund has issued 111,112 Class C Fund Units at a price of \$0.90 per Unit for total cash consideration of \$100,001.

The Fund has issued 878,187 Class E Fund Units at a price of \$0.90 per Unit and 633,317 Class E Fund Units at a price of \$0.95 per Unit for total cash consideration of \$1,392,019.

The Fund has issued 199,334 Class F Fund Units at a price of \$0.90 per Unit for total cash consideration of \$179,401.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

- (c) The Fund Units are redeemable on demand by the unitholder of the Partnership. The redemption price will be determined as follows: (i) where a request for redemption by a unitholder occurs within 12 months of the date of issue of a Unit certificate, the redemption price shall be the Fund Unit net asset value per Unit to be redeemed less 12%; (ii) if a request for redemption occurs between the 12 and 24 month anniversary of the date of issue of a unit certificate, the redemption price shall be the Fund Unit net asset value per Unit to be redeemed less 7%, and (iii) if a request for redemption occurs after the 24 month anniversary of the date of issue of a unit certificate, the redemption price shall be the Fund Unit net asset value per unit to be redeemed.

The net asset value of the Fund Units on a per Unit basis will be determined each year during the term of the Fund in conjunction with the preparation of the Fund's year-end financial statements, by the Trustees acting in a commercially reasonable manner, in consultation with the tax and accounting advisors of the Fund, subject to the following: where the Partnership obtains an updated net asset valuation of its limited Partnership units as a result of an acquisition or disposition of the assets of the Partnership in amount exceeding \$5,000,000, the Trustees will obtain a new net asset value of the Fund Units within 45 days of the date of transaction occurring. The net asset value of a Fund Unit being redeemed will be the last value determined by the Trustees prior to the date of the proposed redemption.

Redemptions are limited to \$75,000 per quarter. Any redemption requested in excess of \$75,000 will be repaid through the issuance of a redemption note which will be unsecured, have an interest rate that is equal to the annual average Royal Bank of Canada prime rate, subordinated and postponed to all senior indebtedness, and due on the fifth anniversary date of issuance.

7. Personnel expenses

The total remunerations for employees included in general and administrative expenses was \$NIL for the period ended December 31, 2015. Total remuneration in the amount of \$NIL was paid to executive officers and directors for the period ended December 31, 2015.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

8. Supplemental cash flow information

| | |
|--|-----------------|
| Accounts payable and accrued liabilities | \$ <u>8,000</u> |
| Changes in non-cash working capital | \$ <u>8,000</u> |
| Interest paid | \$ <u>-</u> |
| Income tax paid | \$ <u>-</u> |

9. Commitments

- (a) The Partnership entered into an marketing agreement with Prestige Capital Inc. ("Capital"), a party related to the General Partner by virtue of common officers and directors, to assist it with the marketing and sale of the Trust units pursuant to the offering memorandum requiring the Partnership to pay a marketing fee of up to 4% of the gross proceeds of the Offering. A commission of up to 9% of the gross proceeds of the Offering will also be paid to related and non-related parties. In addition, the Partnership has entered into a funding agreement with the Partnership to reimburse or pay directly all expenses incurred by the Partnership, including all costs incurred in obtaining financing for investment in the Partnership.
- (b) The Partnership entered into an administration agreement with the Administrator pursuant to which the Partnership shall pay an annual fee of \$500 to the Administrator for administration and support services provided to the Partnership.

10. Financial instruments

(a) Risk management overview

The Partnership's activities expose it to a variety of financial risks. This note presents information about the Partnership's exposure to each of the risks, the Partnership's objectives, policies and processes for measuring and managing risk, and the Partnership's management of capital. Further quantitative disclosures are included throughout these financial statements. The Partnership employs risk management strategies and policies to ensure that any exposure to risk are in compliance with the Partnership's business objectives and risk tolerance levels. The General Partner has the overall responsibility for the Partnership's risk management framework and also to administer and monitor these risks.

(b) Fair values of financial instruments

The fair value of accounts payable and accrued liabilities and due from related parties approximate their carrying values due to their short term to maturity. The fair value of the investment in the Partnership approximates its carrying value as the partnership is not operational as at December 31, 2015.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - reflects valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 - reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - reflects valuation techniques with significant unobservable market inputs. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The financial instrument in the Partnership's financial statement, measured at Level 1 is cash.

(c) Credit risk

Credit risk is the risk of financial loss the Partnership if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at December 31, 2015 is as follows:

| | |
|---------------------------|---------------------|
| Cash | \$ 3,884 |
| Due from related parties | 3,472 |
| Investment in Partnership | <u>2,781,889</u> |
| | <u>\$ 2,789,245</u> |

The Partnership manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Management does not expect any counterparty to fail to meet its obligations.

The Partnership manages its credit exposure related to the Investment in Partnership by monitoring the activities of the Partnership.

The Partnership manages the credit exposure related to amounts due from related parties by monitoring activities of the related party. The due from related parties amounts are current at December 31, 2015.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

(d) Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they are due. The Partnership's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. The Partnership's ongoing liquidity will be impacted by various external events and conditions.

The Partnership's financial liabilities consist of accounts payable and accrued liabilities and redeemable Partnership Units.

The Partnership expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow, as well as future financings.

Redemptions of Partnership Units are expected to be satisfied from operating cash flows.

The Partnership's accounts payable and accrued liabilities are all considered current and are comprised of the following:

| | |
|--|------------------------|
| Accrued liabilities | \$ <u>8,000</u> |
| Total accounts payable and accrued liabilities | \$ <u><u>8,000</u></u> |

All of the accounts payable and accrued liabilities are due on standard credit terms and are expected to be settled within one year. The Partnership expects to satisfy these obligations from operating net cash flows.

The redeemable Partnership Units are limited to redemptions of \$75,000 per quarter. Redemptions in excess of \$75,000 will be repaid through the issuance of a note payable as per (note 6).

The Partnership may need unitholder support or incur additional debt to repay financial obligations as they become due until the Partnership's operations generate sufficient positive cash flow to pay financial liabilities.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

| Financial liabilities | 2016 | 2017 | 2018 | 2019 | 2020 | Subsequent | Total |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Accounts payable and accrued liabilities | \$ 8,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,000 |
| Redeemable Fund Units | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>1,281,889</u> | <u>2,781,889</u> |
| | <u>\$ 308,000</u> | <u>\$ 300,000</u> | <u>\$ 300,000</u> | <u>\$ 300,000</u> | <u>\$ 300,000</u> | <u>\$ 1,281,889</u> | <u>\$ 2,789,889</u> |

(e) Capital risk management

The Partnership's capital management policy is to maintain a strong capital base that optimizes the Partnership's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its partners. The Partnership intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Partnership's early stage of development and the requirement to sustain future development of the business.

The Partnership will manage its capital structure and make changes to it in the light of changes in economic conditions and the risk characteristics of the underlying investment in real estate assets. The Partnership considers its capital structure to include net assets attributable to holders of redeemable Partnership Units. In order to maintain or adjust the capital structure, the Partnership may from time to time issue units, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Partnership's current debt outstanding includes accounts payable and accrued liabilities and redeemable Partnership Units and it monitors capital based on its current working capital and investment in Partnership.

The Partnership is not subject to externally imposed capital requirements as at December 31, 2015.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

11. Subsequent events

- (a) The Fund prepared an Offering Memorandum dated January 27, 2016, whereby the Partnership has offered to issue 47,481,268 Fund Units at \$0.95 per Partnership Unit until the later of March 16, 2016 and the closing of date of the hotel acquisition as per note 11(c), after which the price will increase to \$1.00 per Partnership Unit for total gross proceeds of \$47,218,110. The \$0.95 per Partnership Unit pricing may be extended until March 31, 2016 at the discretion of the Trustees. The 47,481,268 Fund Units to be issued assumed that the first \$5,000,000 in Partnership Units issued under the offering are sold for \$0.95 per Partnership Unit. The Trustees, at their sole discretion, may at any time without notice increase the price per Partnership Unit under the offering. The estimated costs of the offering are \$6,273,833, assuming that the maximum offering is met, for net proceeds of \$40,952,956. The closings of the offering are set to take place periodically at the discretion of the Partnership. In accordance with the offering, the net proceeds to the Partnership shall be used to invest in up to 47,481,268 Class B - G Units of the Partnership. The funds received by the Partnership will be used by the Partnership for the acquisition of existing operating hotel properties and other general and administrative expenses in connection with the operations of the Partnership.
- (b) On December 4, 2015, the Partnership signed a purchase and sale agreement to purchase an 85% interest in a hotel property for \$14,500,000. The Partnership paid a refundable deposit of \$375,000 with respect to the purchase. The purchase is subject to a due diligence period and is expected to close on February 29, 2016. In addition, subsequent to year end, the Partnership entered into a joint venture for the operation of the hotel property. The Partnership holds an 85% interest in the joint venture. Upon the conditions of the purchase and sale agreement being satisfied and waived the purchase and sale agreement will be assigned to the joint venture who will be the ultimate purchaser of the hotel property.

In relation to the acquisition, the Partnership has entered into a non-binding letter of intent with a lender. The letter of intent is subject to satisfaction of a number of conditions by the Partnership. There is no guarantee that the Partnership will be able to or chose to satisfy these conditions or that the lender will ultimately choose to extend a loan to the Partnership. Under the terms of the letter of intent, the principal amount of the financing will be \$8,700,000 and will be due on demand.

Prior to demand by the lender, the loan shall be payable as follows:

First 24 months: Repayable with monthly accrued interest payments due on the 1st of each month, principal to be repaid in full within 24 months of first advance. The interest rate will float at the greater of Royal Bank prime rate plus 1.50% and 4.20% per annum.

Prestige Hospitality Opportunity Fund - I

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

During the interest only period, the borrower may, if not in default, prepay the entire balance secured by the mortgage upon payment of the following:

- i) If prepaid within 12 months of the initial funding, the lender will be entitled to receive a lump sum payment equivalent to 12 months interest on \$8,700,000 less prior interest payments already collected.
 - ii) The loan will be open for prepayment, without penalty, in months 13 to 24.
 - iii) The lender is to be notified a minimum of 45 days prior to payout of the loan. Amortization will be a maximum 20 years exclusive of the 24 month interest only period.
- (c) On December 4, 2015, the Partnership entered into a purchase and sale agreement to purchase an 85% interest in a hotel property for \$17,000,000. The Partnership paid a refundable deposit of \$500,000 with respect to the purchase. The purchase is subject to a due diligence period and is expected to close on October 31, 2016. In addition, subsequent to year end, the Partnership entered into a joint venture for the operation of the hotel property. The Partnership holds an 85% interest in the joint venture. Upon the conditions of the purchase and sale agreement being satisfied and waived the purchase and sale agreement will be assigned to the joint venture who will be the ultimate purchaser of the hotel property.

In relation to the acquisition the Partnership has entered into a non-binding letter of intent with a lender. The letter of intent is subject to satisfaction of a number of conditions by the Partnership. There is no guarantee that the Partnership will be able to or chose to satisfy these conditions or that the lender will ultimately choose to extend a loan to the Partnership. Under the terms of the letter of intent, the principal amount of the financing will be \$11,195,000. The principal will be repayable over a 4 year term, calculated based on the full \$11,950,000 principal drawn on the loan, with monthly payments of \$29,050 for the first 12 months from the first draw, \$30,500 for the following 12 months, \$31,950 for the following 12 months, \$33,450 for the following 11 months with the remaining \$9,729,050 due on the last month.

The interest rate on the loan will be the lender's base rate plus 2.75% per annum with the lender's base rate currently being 1.35%.

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Consent of Collins Barrow Calgary LLP

To: Partners of Prestige Hospitality Opportunity Fund - I LP

We have read the Offering Memorandum of Prestige Hospitality Opportunity Fund - I (the "Fund") dated January 27, 2016 relating to the issuance of Trust units of the Fund at \$0.95 per Trust unit until the later of March 16, 2016 and the closing date of the acquisition of the London Hotel by the Partnership, after which the price will increase to \$1.00 per Trust unit, for gross proceeds of up to \$47,218,110. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation in the above-mentioned Offering Memorandum of our report to the partners of Prestige Hospitality Opportunity Fund - I LP on the statement of financial position as at December 31, 2015, and the statements of loss and comprehensive loss, changes in net assets (liabilities) attributable to holders of redeemable partnership units and cash flows for the year ended December 31, 2015 of Prestige Hospitality Opportunity Fund - I LP. Our report is dated January 27, 2016.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
January 27, 2016

**Prestige Hospitality Opportunity
Fund - I LP
Financial Statements
December 31, 2015**

Independent Auditors' Report

To the Partners
Prestige Hospitality Opportunity Fund - I LP

We have audited the accompanying financial statements of Prestige Hospitality Opportunity Fund - I LP, which comprise the statement of financial position as at December 31, 2015, and the statements of loss and comprehensive loss, changes in net assets (liabilities) attributable to holders of redeemable partnership units and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prestige Hospitality Opportunity Fund - I LP as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
January 27, 2016

Prestige Hospitality Opportunity Fund - I LP
Statement of Financial Position
December 31, 2015

(expressed in Canadian dollars)

| | 2015 | 2014 |
|--|---------------------|------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 1,574,986 | \$ 409 |
| Goods and services tax recoverable | 18,791 | - |
| Prepaid expenses and deposits | <u>7,500</u> | <u>-</u> |
| Total current assets | 1,601,277 | 409 |
| Deposits on acquisitions (note 4) | 875,000 | - |
| Property and equipment (note 5) | <u>1,571</u> | <u>-</u> |
| Total assets | <u>\$ 2,477,848</u> | <u>\$ 409</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 97,767 | \$ 16,000 |
| Due to related parties (note 6) | <u>7,959</u> | <u>110,181</u> |
| Total current liabilities | <u>105,726</u> | <u>126,181</u> |
| Net assets (liabilities) attributable to holders of redeemable Partnership Units | <u>2,372,122</u> | <u>(125,772)</u> |
| Total liabilities and net assets (liabilities) attributable to holders of redeemable Partnership Units | <u>\$ 2,477,848</u> | <u>\$ 409</u> |
| Commitments (note 11) | | |
| Subsequent events (notes 4 and 13) | | |

See accompanying notes to the financial statements.

Approved by the Prestige Hospitality Opportunity Fund - I GP Inc.,
General Partner of Prestige Hospitality Opportunity Fund - I LP

(Signed) "Saleem Budhwani" , Director

(Signed) "Curtis Potyondi" , Director

Prestige Hospitality Opportunity Fund - I LP
Statement of Loss and Comprehensive Loss
Year Ended December 31, 2015

(with comparatives for the period from formation on August 11, 2014 to December 31, 2014)

(expressed in Canadian dollars)

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Expenses | | |
| Bank charges and interest | \$ 341 | \$ 92 |
| General and administrative | 3,569 | 2,500 |
| Insurance | 3,000 | - |
| Marketing | 71,218 | - |
| Office | 528 | - |
| Professional fees | 192,742 | 53,124 |
| Salaries | 159,090 | 70,057 |
| Travel | 18,209 | - |
| Amortization of property and equipment | <u>175</u> | <u>-</u> |
| Operating loss | (448,872) | (125,773) |
| Finance expense | <u>29,510</u> | <u>-</u> |
| Decrease in net assets attributable to holders of redeemable Partnership Units | <u>\$ (478,382)</u> | <u>\$ (125,773)</u> |

See accompanying notes to the financial statements.

Prestige Hospitality Opportunity Fund - I LP

Statement of Changes in Net Assets (Liabilities) Attributable to Holders of Redeemable Partnership Units

Year Ended December 31, 2015

(with comparatives for the period from formation on August 11, 2014 to December 31, 2014)

(expressed in Canadian dollars)

| | Net assets (liabilities) attributable to unitholders |
|--|---|
| Balance at inception, August 11, 2014 | \$ - |
| Issuance of initial redeemable Partnership Unit (note 7) | 1 |
| Decrease in net assets attributable to holder of redeemable Partnership Unit | <u>(125,773)</u> |
| Net liabilities attributable to holder of redeemable Partnership Unit, December 31, 2014 | (125,772) |
| Redemption of initial redeemable Partnership Unit (note 7) | (1) |
| Issuance of redeemable Partnership Units (note 7) | 3,281,889 |
| Unit issuance costs, net of accretion (note 7) | (305,612) |
| Decrease in net assets attributable to holders of redeemable Partnership Units | <u>(478,382)</u> |
| Net assets attributable to holders of redeemable Partnership Units, December 31, 2015 | <u><u>\$ 2,372,122</u></u> |

See accompanying notes to the financial statements.

Prestige Hospitality Opportunity Fund - I LP

Statement of Cash Flows

Year Ended December 31, 2015

(with comparatives for the period from formation on August 11, 2014 to December 31, 2014)

(expressed in Canadian dollars)

| | 2015 | 2014 |
|--|---------------------|------------------|
| Cash provided by (used in): | | |
| Operating activities | | |
| Decrease in net assets attributable to holders of redeemable Partnership Units | \$ (478,382) | \$ (125,773) |
| Adjustments: | | |
| Amortization of property and equipment | 175 | - |
| Finance expense | 29,510 | - |
| Changes in non-cash working capital relating to operating activities (note 10) | <u>55,476</u> | <u>16,000</u> |
| Net cash used in operating activities | <u>(393,221)</u> | <u>(109,773)</u> |
| Financing activities | | |
| Redemption of initial redeemable Partnership Unit | (1) | - |
| Proceeds on issuance of redeemable Partnership Units | 3,281,889 | 1 |
| Unit issuance costs | (335,122) | - |
| Advances from (repayments of) related parties | <u>(102,222)</u> | <u>110,181</u> |
| Net cash provided by financing activities | <u>2,844,544</u> | <u>110,182</u> |
| Investing activities | | |
| Deposits on acquisitions | (875,000) | - |
| Additions to property and equipment | <u>(1,746)</u> | <u>-</u> |
| Net cash used in investing activities | <u>(876,746)</u> | <u>-</u> |
| Change in cash | 1,574,577 | 409 |
| Cash, beginning of year | <u>409</u> | <u>-</u> |
| Cash, end of year | <u>\$ 1,574,986</u> | <u>\$ 409</u> |

See accompanying notes to the financial statements.

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

1. Nature of operations

Prestige Hospitality Opportunity Fund - I LP (the "Partnership") was formed on August 11, 2014 under the *Partnership Act* (Alberta) and is governed by the Limited Partnership Agreement dated March 4, 2015 (the "Partnership Agreement").

The Partnership was formed to acquire and operate existing operating hotel properties located in major municipal centres within North America and provide mezzanine style loans to operating hotels in major municipal centres within North America as a leveraged mechanism to acquire equity positions in ownership of hotels.

In all circumstances the net income, net loss, taxable income or tax loss for a given fiscal year of the Partnership is to be allocated as follows:

- (a) firstly, 0.01% thereof, to the General Partner;
- (b) secondly, the balance of 99.99% to the Limited Partners in accordance with their proportionate share;
- (c) thirdly, if at any time there are no Limited Partners, then any amount which would have been allocated to the Limited Partners will be allocated to the General Partner.

In all circumstances, the distributable cash for each fiscal year of the Partnership will be allocated as follows:

- (i) with respect to the General Partner, 0.01% thereof;
- (ii) the Class A proportionate share of distributable cash to the holders of Class A Units in accordance with their Class A proportionate share;
- (iii) the Class B proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class B Units in accordance with their Class B proportionate share until each holder of Class B Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid preferred return with respect to Class B LP Units; thereafter
 - (3) thirdly, 70% to the holders of Class B Units in accordance with their Class B proportionate share and 30% to the holders of Class A LP Units in accordance with their Class A proportionate share subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class B Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 70% of the Class B proportionate share of distributable Cash (the "Class B Unit Entitlement Threshold") and the General Partner, in its discretion, may adjust the Class B distribution ratio between the holders of Class A LP Units and the holders of Class B LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

distributable cash to the holders of Class B LP Units does not exceed the Class B Unit Entitlement Threshold;

- (iv) the Class C proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class C LP Units in accordance with their Class C proportionate share until each holder of Class C LP Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid preferred return with respect to Class C LP Units; thereafter
 - (3) thirdly, 72.5% to the holders of Class C LP Units in accordance with their Class C proportionate share and 27.5% to the holders of Class A LP Units in accordance with their Class A proportionate share subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class C Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 72.5% of the Class C proportionate share of distributable cash (the "Class C Unit Entitlement Threshold") and the General Partner, in its discretion, may adjust the Class C distribution ratio between the holders of Class A LP Units and the holders of Class C LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of distributable cash to the holders of Class C LP Units does not exceed the Class C Unit Entitlement Threshold;
- (v) the Class D proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class D LP Units in accordance with their Class D proportionate share until each holder of Class D LP Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid preferred return with respect to Class D LP Units; thereafter
 - (3) thirdly, 75% to the holders of Class D LP Units in accordance with their Class D proportionate share and 25% to the holders of Class A LP Units in accordance with their Class A proportionate share subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class D Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 75% of the Class D proportionate share of distributable cash (the "Class D Unit Entitlement Threshold") and the General Partner, in its discretion, may adjust the Class D distribution ratio between the holders of Class A LP Units and the holders of Class D LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of distributable cash to the holders of Class LP D Units does not exceed the Class D Unit Entitlement Threshold;

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

- (vi) the Class E proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class E LP Units in accordance with their Class E proportionate share until each holder of Class E LP Units has received return of their capital contributions in respect of all such Units held; thereafter;
 - (2) secondly, 85% to the holders of Class E LP Units in accordance with their Class E proportionate share and 15% to the holders of Class A LP Units in accordance with their Class A proportionate share;
- (vii) the Class F proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class F LP Units in accordance with their Class F proportionate share until each holder of Class F LP Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly, 87.5% to the holders of Class F LP Units in accordance with their Class F proportionate share and 12.5% to the holders of Class A LP Units in accordance with their Class A proportionate share;
- (viii) the Class G proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class G LP Units in accordance with their Class G proportionate share until each holder of Class G LP Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly 90% to the holders of Class G LP Units in accordance with their Class G proportionate share and 10% to the holders of Class A LP Units in accordance with their Class A proportionate share; and
- (ix) with respect to Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O LP Units, the General Partner in its discretion may allocate any of the distributions to be made to the Class A LP Units in sub-paragraphs (i)-(viii) above to the holders of Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O LP Units on any terms on its discretion that it so chooses.

The financial statements will present only the assets, liabilities and results of operations of the Partnership. As a Partnership, the income tax consequences for a limited partnership are deemed to be those of the partners individually and, as such, are not reflected in the financial statements.

The Partnership is managed by the General Partner, Prestige Hospitality Opportunity Fund - I GP Inc. The address and principal place of business of the Partnership is #2000, 2021 - 100 Avenue NE, Calgary, Alberta, T3J 0R3.

Prestige Hospitality Opportunity Fund - I LP
Notes to Financial Statements
December 31, 2015

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized for issue by the General Partner on January 27, 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- (i) any derivative financial instruments are measured at fair value; and
- (ii) any held-for-trading financial assets are measured at fair value; with changes in fair value recorded in earnings.

The methods used to measure fair values are discussed in (note 12).

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Partnership's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity.

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

Amortization of property and equipment

The amounts recorded for amortization of property and equipment are based on the useful lives of the assets and residual values. Changes in the estimated useful lives or residual values could significantly increase or decrease the amount of amortization recorded during the period. Property and equipment are recorded at cost less related accumulated amortization.

Classification and valuation of Partnership Units

In determining whether the Partnership Units should be classified as liabilities or equity, management has assessed whether the Partnership Units contain a contractual agreement to deliver cash or another financial asset to another entity, whether the units are puttable, and whether the criteria in IAS 32 Financial Instruments: Presentation, which permit classification of a puttable instrument as equity have been satisfied. The Partnership Units have different allocations of distributable cash (note 1) and have been classified as a liability as they do not have identical features. The issuance costs related to the partnership units are being accreted over 10 years, which is the estimated life of the units.

3. Significant accounting policies

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The effective interest method is used for financial instruments measured at amortized cost and allocates interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the instrument, to the net carrying amount on initial recognition.

(i) Financial assets

Financial assets include cash and deposits. Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Partnership. Financial assets are derecognized when the rights to receive cash flows have expired or are transferred and the Partnership has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

Financial assets at fair value through profit or loss

CLASSIFICATION

Financial assets at "fair value through profit or loss" are either classified as "held for trading" or "designated at fair value through profit or loss" financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and its performance is evaluated on a fair value basis, in accordance with the Partnership's documented risk management or investment strategy. The Partnership has designated cash as "fair value through profit or loss".

RECOGNITION AND MEASUREMENT

Financial assets carried at fair value through profit or loss are initially recognized, and subsequently carried, at fair value, with changes recognized in the statement of loss and comprehensive loss. Transaction costs are expensed when incurred.

Loans and receivables

CLASSIFICATION

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. The Partnership has classified deposits as loans and receivables.

RECOGNITION AND MEASUREMENT

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They consist of investments in equity securities and certain other debt securities. They are included in other non current financial assets unless management intends to dispose of the investment within 12 months of the statement of financial position date. Available-for-sale financial assets are recorded at fair value with unrealized gains and losses recorded in other comprehensive income until realized, at which time they are recorded through profit or loss. The Partnership has not designated any financial assets as available-for-sale.

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

Reclassification of financial assets

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

(ii) Financial liabilities

Financial liabilities consist of accounts payable and accrued liabilities, due to related parties, and redeemable Partnership Units. Financial liabilities are initially measured at fair value plus any directly attributable transactions costs and subsequently measured at amortized cost for liabilities that are not hedged, using the effective interest method, and fair value for liabilities that are hedged. Non performance risk, including the Partnership's own credit risk for financial liabilities, is considered when determining the fair value of financial liabilities. The Partnership derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(iii) Redeemable Partnership Units

The redeemable Partnership Units are classified as a financial liability. Issuance costs are netted against the proceeds from the issuance of redeemable Partnership Units and are accreted over the estimate life of the units of 10 years.

(iv) Impairment

The Partnership assesses at each statement of financial position date whether there is objective evidence that a financial asset, other than those at fair value through profit or loss, or a group of financial assets, is impaired. When an impairment has occurred, the cumulative loss is recognized in profit or loss.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables may include the Partnership's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited through the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Any increase in fair value subsequent to an impairment loss with respect to available-for-sale equity instruments is recognized in other comprehensive income.

(b) Property and equipment

Property and equipment is stated at cost less accumulated amortization and any recognized impairment loss. Amortization commences when the assets are available for use based on the estimated useful life and are provided for using the declining balance method at the following annual rates:

| | |
|-------------------------|-----|
| Furniture and equipment | 20% |
|-------------------------|-----|

In the year of acquisition, one-half of the calculated amortization is taken.

(c) Provisions and contingent liabilities

Provisions and contingent liabilities are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Provisions and contingent liabilities are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

(d) Finance expenses

Finance expense comprises accretion of commissions and other costs for the issue of redeemable Partnership Units.

Borrowing costs incurred for the acquisition or construction of qualifying assets are capitalized during the period required to complete and prepare the assets for their intended use or sale. A qualifying asset is one that takes substantial time to get ready for use or sale.

When funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs. When the funds used to finance a project form part of general borrowing, the amount capitalized is calculated using the weighted average of rates applicable to the Partnership's relevant general borrowing during the period.

(e) Recent accounting pronouncements

The following accounting pronouncements have been released but have not yet been adopted by the Partnership:

Financial Instruments

IFRS 9 - Financial Instruments

IFRS 9, "*Financial Instruments*" provides a comprehensive new standard for accounting for all aspects of financial instruments. It includes a logical model for classification and measurement, a single, forward-looking 'expected-loss' impairment model and a substantially reformed approach to hedge accounting. The new standard is effective for years beginning on or after January 1, 2018.

Revenue Recognition

IFRS 15 - Revenue from Contracts and Customers

IFRS 15, *Revenue From Contracts With Customers*, will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

In July 2015, the IASB amended IFRS 15 to defer the effective date to years beginning on or after January 1, 2018, with early adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach.

The Partnership has not yet completed its assessment and evaluation of the effect of adopting the new standards and the impact they may have on its financial statements.

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

4. Deposits on acquisitions

- (a) On December 4, 2015, the Partnership signed a purchase and sale agreement to purchase an 85% interest in a hotel property for \$14,500,000. The Partnership paid a refundable deposit of \$375,000 with respect to the purchase. The purchase is subject to a due diligence period and is expected to close on February 29, 2016. In addition, subsequent to year end, the Partnership entered into a joint venture for the operation of the hotel property. The Partnership holds an 85% interest in the joint venture. Upon the conditions of the purchase and sale agreement being satisfied and waived the purchase and sale agreement will be assigned to the joint venture who will be the ultimate purchaser of the hotel property.
- (b) On December 4, 2015, the Partnership entered into a purchase and sale agreement to purchase an 85% interest in a hotel property for \$17,000,000. The Partnership paid a refundable deposit of \$500,000 with respect to the purchase. The purchase is subject to a due diligence period and is expected to close on October 31, 2016. In addition, subsequent to year end, the Partnership entered into a joint venture for the operation of the hotel property. The Partnership holds an 85% interest in the joint venture. Upon the conditions of the purchase and sale agreement being satisfied and waived the purchase and sale agreement will be assigned to the joint venture who will be the ultimate purchaser of the hotel property.

5. Property and equipment

| Cost | Computer Equipment |
|---------------------------------|-------------------------------|
| Balance, August 11, 2014 | \$ - |
| Additions | <u>-</u> |
| Balance, December 31, 2014 | <u>-</u> |
| Additions | <u>1,745</u> |
| Balance, December 31, 2015 | <u><u>\$ 1,745</u></u> |
| Accumulated amortization | |
| Balance, August 11, 2014 | \$ - |
| Amortization for the period | <u>-</u> |
| Balance, December 31, 2014 | <u>-</u> |
| Amortization for the year | <u>175</u> |
| Balance, December 31, 2015 | <u><u>\$ 175</u></u> |
| Net book value | |
| At December 31, 2014 | <u><u>\$ -</u></u> |
| At December 31, 2015 | <u><u>\$ 1,571</u></u> |

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

The Partnership has not capitalized any general and administrative expenses or interest in the periods ended December 31, 2014 and December 31, 2015.

6. Related party transactions

The amounts due to related parties relates to expenses paid on behalf of the Partnership by the Fund, the General Partner and for advances from companies related to the Partnership by common key officers.

The amounts due to related parties are unsecured, non-interest bearing and have no specified terms of repayment.

7. Partnership's equity

(a) Authorized

An aggregate of 500,000 Class A Units

An aggregate of 50,818,714 Class B, Class C, Class D, Class E, Class F, Class G, Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O Units.

The Partnership paid marketing fees and commissions (note 11(b)) of \$86,324 to related parties during the year ended December 31, 2015 (2014 - \$Nil).

(b) Issued

The Partnership Units are considered to be a liability due to their redemption features. The amounts outstanding consists of the following:

| | Number of units | Total amount |
|--|--------------------|---------------------|
| Balance at August 11, 2014 | - | \$ - |
| Issuance of redeemable Partnership Unit on formation | <u>1</u> | <u>1</u> |
| Balance, December 31, 2014 | <u>1</u> | <u>1</u> |
| Redemption of initial redeemable Partnership Unit | (1) | (1) |
| Issuance of redeemable Partnership Units | 3,525,858 | 3,281,889 |
| Issuance costs | - | (335,122) |
| Accretion of unit issuance costs | <u>-</u> | <u>29,510</u> |
| Balance, December 31, 2015 | <u>3,525,858</u> | <u>\$ 2,976,277</u> |

During the period ended December 31, 2014, the Partnership issued 1 Class A Unit for gross proceeds of \$1 upon formation of the Partnership.

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

During the year ended December 31, 2015, the Partnership redeemed the initial Partnership Class A unit for \$1.

During the year ended December 31, 2015, the Partnership issued 500,000 Class A Units at a price of \$1.00 per Unit for total cash consideration of \$500,000.

During the year ended December 31, 2015, the Partnership issued 664,884 Class B Units at a price of \$0.90 per Unit and 539,024 Class B Units at a price of \$0.95 per Unit, for total cash consideration of \$1,110,468.

During the year ended December 31, 2015, the Partnership issued 111,112 Class C Units at a price of \$0.90 per Unit for total cash consideration of \$100,001.

During the year ended December 31, 2015, the Partnership issued 878,187 Class E Units at a price of \$0.90 and 633,317 Class B Units at a price of \$0.95 per Unit, for total cash consideration of \$1,392,019.

During the year ended December 31, 2015, the Partnership issued 199,334 Class F Units at a price of \$0.90 per Unit for total cash consideration of \$179,401.

- (c) The Class B - Class G Partnership Units are redeemable on demand, by the unitholder of the Partnership. The redemption price will be determined as follows: (i) where a request for redemption by a unitholder occurs within 12 months of the date of issue of a Unit certificate, the redemption price shall be the Partnership Unit net asset value per Unit to be redeemed less 12%; (ii) if a request for redemption occurs between the 12 and 24 month anniversary of the date of issue of a Unit certificate, the redemption price shall be the Partnership Unit net asset value per Unit to be redeemed less 7%; and (iii) if a request for redemption occurs after the 24 month anniversary of the date of issue of a Unit certificate, the redemption price shall be the Partnership Unit net asset value per Unit to be redeemed.

The net asset value of the Partnership Units on a per Unit basis determined each year during the term of the Partnership in conjunction with the preparation of the Partnership's year-end financial statements, by the General Partner, acting in a commercially reasonable manner, in consultation with its tax and accounting advisors, subject to the following: where the Partnership makes an acquisition or disposition of its assets in amount exceeding \$5,000,000, the General Partner will obtain a new Partnership Unit net asset value of the Partnership Units within 45 days of the date of such occurrence. The net asset value of a Partnership Unit being redeemed shall be the Value last determined by the General Partner prior to the date of the proposed redemption.

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

The General Partner may in their discretion, pay some or all of the redemptions through the issuance of a redemption note which will be unsecured, have an interest rate that is equal to the annual average Royal Bank of Canada prime rate and be subordinated and postponed to all senior indebtedness. The term of each redemption note shall be determined by the General Partner in its sole discretion to a maximum term of 5 years.

Redemption rights with respect to the Class H - Class O Partnership Units shall be on such terms as the General Partner in its sole discretion determines by way of special resolution of the directors of the General Partner upon the issue of such Units but on no way shall any of the redemption rights be superior to the redemption rights of the Class B - Class G Partnership Units.

8. Personnel expenses

The total remuneration for employees included in salaries expense was \$159,090 (2014 - \$70,057) for the year ended December 31, 2015. Total remuneration in the amount of \$41,000 (2014 - \$34,440) was paid to executive officers and directors for the year ended December 31, 2015.

9. Finance expense

| | 2015 | 2014 |
|---|------------------|-------------|
| Accretion of unit issuance costs (note 7) | \$ <u>29,510</u> | \$ <u>-</u> |

10. Supplemental cash flow information

| | 2015 | 2014 |
|--|------------------|------------------|
| Source (use) of cash | | |
| Goods and services tax recoverable | \$ (18,791) | \$ - |
| Prepaid expenses and deposits | (7,500) | - |
| Accounts payable and accrued liabilities | <u>81,767</u> | <u>16,000</u> |
| Changes in non-cash working capital | <u>\$ 55,476</u> | <u>\$ 16,000</u> |
| Interest paid | <u>\$ -</u> | <u>\$ -</u> |
| Income tax paid | <u>\$ -</u> | <u>\$ -</u> |

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

11. Commitments

- (a) For each hotel property acquired, the Partnership will enter into a management agreement with a wholly-owned subsidiary of Prestige Hospitality Investment Corp. ("Hospitality"), a private corporation related to the General Partner by common officers and directors pursuant to which the Partnership will pay the subsidiary 2% of the Partnership's gross revenues from the operation, plus reasonable expenses incurred by the subsidiary in the performance of its services under the agreement. In addition, the Partnership will pay the General Partner 2% of the profits of any mezzanine financing provided by the Partnership to a mezzanine borrower. No fees under this agreement have been paid as the Partnership is still in the development stage.
- (b) The Partnership entered into an marketing agreement with Prestige Capital Inc. ("Capital"), a party related to the General Partner by virtue of common officers and directors, to assist it with the marketing and sale of the Trust units pursuant to the offering memorandum (note 13) requiring the Partnership to pay a marketing fee of up to 4% of the gross proceeds of the offering. A commission of up to 9% of the gross proceeds of the offering will also be paid to related and non-related parties. In addition, the Partnership has entered into a funding agreement to reimburse or pay directly all expenses incurred by the Fund, including all costs incurred in obtaining financing for investment in the Partnership. The Partnership paid marketing fees of \$86,324 and commissions of \$250,370 during the year ended December 31, 2015 (2014 - \$NIL), which have been included in unit issuance costs (note 7). The marketing fees paid were below the 4% marketing fee allowance of \$111,726.

12. Financial instruments

- (a) Risk management overview

The Partnership's activities expose it to a variety of financial risks. This note presents information about the Partnership's exposure to each of the risks, the Partnership's objectives, policies and processes for measuring and managing risk, and the Partnership's management of capital. Further quantitative disclosures are included throughout these financial statements. The Partnership employs risk management strategies and policies to ensure that any exposure to risk are in compliance with the Partnership's business objectives and risk tolerance levels. The General Partner has the overall responsibility for the Partnership's risk management framework and also to administer and monitor these risks.

- (b) Fair values of financial instruments

The fair value of deposits, accounts payable and accrued liabilities and due to related parties approximate their carrying values due to their short term to maturity.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

Level 1 - reflects valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 - reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - reflects valuation techniques with significant unobservable market inputs. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The financial instrument in the Partnership's financial statement, measured at Level 1 is cash.

(c) Credit risk

Credit risk is the risk of financial loss to the Partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at December 31, 2015 is as follows:

| | 2015 | 2014 |
|----------|---------------------|---------------|
| Cash | \$ 1,574,986 | \$ 409 |
| Deposits | <u>875,000</u> | <u>-</u> |
| | <u>\$ 2,449,986</u> | <u>\$ 409</u> |

The Partnership manages the credit exposure related to the deposits by monitoring the activities of the deposit holders.

The Partnership manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Management does not expect any counterparty to fail to meet its obligations.

(d) Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they are due. The Partnership's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. The Partnership's ongoing liquidity will be impacted by various external events and conditions.

The Partnership's financial liabilities consist of accounts payable and accrued liabilities due to related parties, and redeemable Partnership Units.

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

The Partnership expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow, as well as future financings.

Redemption of Partnership Units are expected to be satisfied from operating cash flows.

The Partnership's accounts payable and accrued liabilities are all considered current and are comprised of the following:

| | 2015 |
|---|-------------------------|
| Accrued liabilities | \$ <u>97,767</u> |
| Total accounts payables and accrued liabilities | \$ <u><u>97,767</u></u> |

All of the accounts payable and accrued liabilities are due on standard credit terms and are expected to be settled within one year. The Partnership expects to satisfy these obligations from the operating net cash flows.

The redeemable Partnership Units are limited to redemption of \$75,000 per quarter. Redemptions in excess of \$75,000 will be repaid through the issuance of a note payable (note 7).

The Partnership may need unitholder support or incur additional debt to repay financial obligations as they become due until the Partnership's operations generate sufficient positive cash flows to pay financial liabilities.

An estimated maturity analysis of the Partnership's financial liabilities is as follows:

| Financial liabilities | 2016 | 2017 | 2018 | 2019 | 2020 | Subsequent | Total |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Accounts payable and accrued liabilities | \$ 97,767 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 97,767 |
| Due to related parties | 7,959 | - | - | - | - | - | 7,959 |
| Redeemable Partnership Units | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>1,781,889</u> | <u>3,281,889</u> |
| | <u>\$ 405,726</u> | <u>\$ 300,000</u> | <u>\$ 300,000</u> | <u>\$ 300,000</u> | <u>\$ 300,000</u> | <u>\$ 1,781,889</u> | <u>\$ 3,387,615</u> |

(e) Capital risk management

The Partnership's capital management policy is to maintain a strong capital base that optimizes the Partnership's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its partners. The Partnership intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Partnership's early stage of development and the requirement to sustain future development of the business.

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

The Partnership will manage its capital structure and make changes to it in the light of changes in economic conditions and the risk characteristics of the underlying investment in real estate assets. The Partnership considers its capital structure to include net assets (liabilities) attributable to holders of redeemable Partnership Units. In order to maintain or adjust the capital structure, the Partnership may from time to time issue units, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Partnership is not subject to externally imposed capital requirements as at December 31, 2015.

The Partnership's capital management policies have not changed during the year ended December 31, 2015.

13. Subsequent events

- (a) The Fund prepared an Offering Memorandum dated January 27, 2016, whereby the Fund has offered to issue 47,481,268 Fund Units at \$0.95 per Fund Unit until the later of March 16, 2016 and the closing of the hotel acquisition as per note 4(b), after which the price will increase to \$1.00 per Fund Unit for total gross proceeds of \$47,218,110. The \$0.95 per Fund Unit pricing may be extended until March 31, 2016 at the discretion of the Trustees. The 47,481,268 Fund Units to be issued assumed that the first \$5,000,000 in Fund Units issued under the offering are sold for \$0.95 per Fund Unit. The Trustees, at their sole discretion, may at any time without notice increase the price per Fund Unit under the offering. The estimated costs of the offering are \$6,273,853, assuming that the maximum offering is met, for net proceeds of \$40,952,956. The closings of the offering are set to take place periodically at the discretion of the Fund. In accordance with the offering, the net proceeds to the Fund shall be used to invest in up to 47,481,268 Class B - G Units of the Partnership. The funds received by the Partnership will be used by the Partnership for the acquisition of existing operating hotel properties and other general and administrative expenses in connection with the operations of the Partnership.
- (b) In relation to the hotel acquisition in note 4(a), the Partnership has entered into a non-binding letter of intent with a lender. The letter of intent is subject to satisfaction of a number of conditions by the Partnership. There is no guarantee that the Partnership will be able to or chose to satisfy these conditions or that the lender will ultimately choose to extend a loan to the Partnership. Under the terms of the letter of intent, the principal amount of the financing will be \$8,700,000 and the loan will be due on demand.

Prior to demand by the lender, the loan shall be payable as follows:

First 24 months: Repayable with monthly accrued interest payments due on the 1st of each month, principal to be repaid in full within 24 months of first advance. The interest rate will float at the greater of Royal Bank prime rate plus 1.50% and 4.20% per annum.

During the interest only period, the borrower may, if not in default, prepay the entire balance secured by the mortgage upon payment of the following:

Prestige Hospitality Opportunity Fund - I LP

Notes to Financial Statements

December 31, 2015

- i) If prepaid within 12 months of the initial funding, the lender will be entitled to receive a lump sum payment equivalent to 12 months interest on \$8,700,000 less prior interest payments already collected.
 - ii) The loan will be open for prepayment, without penalty, in months 13 to 24.
 - iii) The lender is to be notified a minimum of 45 days prior to payout of the loan. Amortization will be a maximum 20 years exclusive of the 24 month interest only period.
- (c) In relation to the acquisition in note 4(b) the Partnership has entered into a non-binding letter of intent with a lender. The letter of intent is subject to satisfaction of a number of conditions by the Partnership. There is no guarantee that the Partnership will be able to or chose to satisfy these conditions or that the lender will ultimately choose to extend a loan to the Partnership. Under the terms of the letter of intent, the principal amount of the financing will be \$11,195,000, drawn on the loan, with monthly payments of \$29,050 for the first 12 months from the first draw, \$30,500 for the following 12 months, \$31,950 for the following 12 months, \$33,450 for the following 11 months with the remaining \$9,729,050 due on the last month.

The interest rate on the loan will be the lender's base rate plus 2.75% per annum with the lender's base rate currently being 1.35%.

14. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

12.3 THE GENERAL PARTNER

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Calgary, Alberta, Canada
T2P 3R5

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F. 403.298.5814
e-mail: calgary@collinsbarrow.com

Consent of Collins Barrow Calgary LLP

To: Board of Directors of
Prestige Hospitality Opportunity Fund - I GP Inc.

We have read the Offering Memorandum of Prestige Hospitality Opportunity Fund I (the "Fund") dated January 27, 2016 relating to the issuance of Trust units of the Fund at \$0.95 per Trust unit until the later of March 16, 2016 and the closing date of the acquisition of the London Hotel by the Partnership after which the price will increase to \$1.00 per Trust unit, for gross proceeds of up to \$47,218,110. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation in the above-mentioned Offering Memorandum of our report to the Directors of Prestige Hospitality Opportunity Fund - I GP Inc. on the statement of financial position as at December 31, 2015, and the statements of loss and comprehensive loss, changes in shareholder's deficiency and cash flows for the year ended December 31, 2015 of Prestige Hospitality Opportunity Fund - I GP Inc. Our report is dated January 27, 2016.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
January 27, 2016

**Prestige Hospitality Opportunity
Fund - I GP Inc.
Financial Statements
December 31, 2015**

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Independent Auditors' Report

To the Directors
Prestige Hospitality Opportunity Fund - I GP Inc.

We have audited the accompanying financial statements of Prestige Hospitality Opportunity Fund - I GP Inc., which comprise the statement of financial position as at December 31, 2015, and the statements of loss and comprehensive loss, changes in shareholder's deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prestige Hospitality Opportunity Fund - I GP Inc. as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
January 27, 2016

Prestige Hospitality Opportunity Fund - I GP Inc.
Statement of Financial Position
December 31, 2015

(expressed in Canadian dollars)

| Assets | 2015 | 2014 |
|--|------------------------|------------------------|
| Current assets | | |
| Cash | \$ 524 | \$ 399 |
| Goods and services tax recoverable | <u>446</u> | <u>-</u> |
| Total current assets | 970 | 399 |
| Due from related parties (note 7) | <u>4,000</u> | <u>6,500</u> |
| Total assets | <u><u>\$ 4,970</u></u> | <u><u>\$ 6,899</u></u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 6,000 | \$ 6,000 |
| Due to related parties (note 7) | <u>-</u> | <u>1,000</u> |
| Total current liabilities | <u>6,000</u> | <u>7,000</u> |
| Shareholder's Deficiency | | |
| Share capital (note 4) | \$ 10 | \$ 10 |
| Deficit | <u>(1,040)</u> | <u>(111)</u> |
| Total shareholder's deficiency | <u>(1,030)</u> | <u>(101)</u> |
| Total liabilities and shareholder's deficiency | <u><u>\$ 4,970</u></u> | <u><u>\$ 6,899</u></u> |
| Subsequent events (note 9) | | |

See accompanying notes to the financial statements.

Approved by the Board

Signed "Saleem Budhwani", Director

Signed "Curtis Potyondi", Director

Prestige Hospitality Opportunity Fund - I GP Inc.
Statement of Loss and Comprehensive Loss
Year ended December 31, 2015

(with comparatives for the period from incorporation on July 31, 2014 to December 31, 2014)
(expressed in Canadian dollars)

| | 2015 | 2014 |
|---------------------------------|-----------------|-----------------|
| Expenses | | |
| General and administrative | \$ 8,929 | \$ 6,611 |
| Less: Expenses recovered | <u>(8,000)</u> | <u>(6,500)</u> |
| Net loss and comprehensive loss | <u>\$ (929)</u> | <u>\$ (111)</u> |

See accompanying notes to the financial statements.

Prestige Hospitality Opportunity Fund - I GP Inc.

Statement of Changes in Shareholder's Deficiency

Year ended December 31, 2015

(with comparatives for the period from incorporation on July 31, 2014 to December 31, 2014)

(expressed in Canadian dollars)

| | Notes | Number of Class A Shares | Class A Shares Stated Value | Deficit | Total Shareholder's Deficiency |
|---|-------|--------------------------------|--------------------------------------|-------------------|--------------------------------------|
| Balance, July 31, 2014 | | - | \$ - | \$ - | \$ - |
| Issuance of Class A Common shares on incorporation | 4 | 100 | 10 | - | 10 |
| Loss and comprehensive loss for the period | | <u>-</u> | <u>-</u> | <u>(111)</u> | <u>(111)</u> |
| Balance, December 31, 2014 | | <u>100</u> | <u>10</u> | <u>(111)</u> | <u>(101)</u> |
| Loss and comprehensive loss for the year | | <u>-</u> | <u>-</u> | <u>(929)</u> | <u>(929)</u> |
| Balance, December 31, 2015 | | <u>100</u> | <u>\$ 10</u> | <u>\$ (1,040)</u> | <u>\$ (1,030)</u> |

See accompanying notes to the financial statements.

Prestige Hospitality Opportunity Fund - I GP Inc.

Statement of Cash Flows

Year ended December 31, 2015

*(with comparatives for the period from incorporation on July 31, 2014 to December 31, 2014)
(expressed in Canadian dollars)*

| Cash provided by (used in): | 2015 | 2014 |
|--|----------------|----------------|
| Operating activities | | |
| Net loss and comprehensive loss | \$ (929) | \$ (111) |
| Adjustments | | |
| Changes in non-cash working capital relating to operating activities (note 6) | <u>(446)</u> | <u>6,000</u> |
| Net cash from (used in) operating activities | <u>(1,375)</u> | <u>5,889</u> |
| Financing activities | | |
| Proceeds on issuance of common shares | - | 10 |
| Advances from (repayments to) related parties | <u>(1,000)</u> | <u>1,000</u> |
| Net cash from (used in) financing activities | <u>(1,000)</u> | <u>1,010</u> |
| Investing activities | | |
| Repayments from (advances to) related parties | <u>2,500</u> | <u>(6,500)</u> |
| Net cash from (used in) investing activities | <u>2,500</u> | <u>(6,500)</u> |
| Change in cash | 125 | 399 |
| Cash, beginning of year | <u>399</u> | <u>-</u> |
| Cash, end of year | <u>\$ 524</u> | <u>\$ 399</u> |

See accompanying notes to the financial statements.

Prestige Hospitality Opportunity Fund - I GP Inc.

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

1. General business description

Prestige Hospitality Opportunity Fund - I GP Inc. (the "Company") was incorporated on July 31, 2014 under the *Business Corporations Act* (Alberta) to act as the general partner to Prestige Hospitality Opportunity Fund - I LP (the "Partnership").

The Partnership was formed on August 11, 2014 under the Partnership Act (Alberta) and is governed by the Limited Partnership Agreement dated August 11, 2014 (the "Partnership Agreement"). The Partnership has been formed to acquire and operate existing operating hotel properties located in major municipal centres within North America and provide mezzanine style loans to operating hotels in major municipal centres within North America, as a leveraged mechanism to acquire equity positions in or ownership of hotels.

In all circumstances the net income, net loss, taxable income or tax loss for a given fiscal year of the Partnership is to be allocated as follows:

- (a) firstly, 0.01% thereof, to the General Partner;
- (b) secondly, the balance of 99.99% to the Limited Partners in accordance with their proportionate share;
- (c) thirdly, if at any time there are no Limited Partners, then any amount which would have been allocated to the Limited Partners will be allocated to the General Partner.

In all circumstances, the distributable cash for each fiscal year of the Partnership will be allocated as follows:

- (i) with respect to the General Partner, 0.01% thereof;
- (ii) the Class A proportionate share of distributable cash to the holders of Class A Units in accordance with their Class A proportionate share;
- (iii) the Class B proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class B Units in accordance with their Class B proportionate share until each holder of Class B Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid preferred return with respect to Class B LP Units; thereafter
 - (3) thirdly, 70% to the holders of Class B Units in accordance with their Class B proportionate share and 30% to the holders of Class A LP Units in accordance with their Class A proportionate share subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class B Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 70% of the Class B proportionate share of distributable Cash (the "Class B Unit Entitlement Threshold") and the General Partner, in its discretion, may adjust the Class B distribution ratio between the

Prestige Hospitality Opportunity Fund - I GP Inc.

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

holders of Class A LP Units and the holders of Class B LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of distributable cash to the holders of Class B LP Units does not exceed the Class B Unit Entitlement Threshold;

- (iv) the Class C proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class C LP Units in accordance with their Class C proportionate share until each holder of Class C LP Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid preferred return with respect to Class C LP Units; thereafter
 - (3) thirdly, 72.5% to the holders of Class C LP Units in accordance with their Class C proportionate share and 27.5% to the holders of Class A LP Units in accordance with their Class A proportionate share subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class C Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 72.5% of the Class C proportionate share of distributable cash (the "Class C Unit Entitlement Threshold") and the General Partner, in its discretion, may adjust the Class C distribution ratio between the holders of Class A LP Units and the holders of Class C LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of distributable cash to the holders of Class C LP Units does not exceed the Class C Unit Entitlement Threshold;
- (v) the Class D proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class D LP Units in accordance with their Class D proportionate share until each holder of Class D LP Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly, payment of any unpaid preferred return with respect to Class D LP Units; thereafter
 - (3) thirdly, 75% to the holders of Class D LP Units in accordance with their Class D proportionate share and 25% to the holders of Class A LP Units in accordance with their Class A proportionate share subject to the following: the aggregate distributions pursuant to this subparagraph (3) to the holders of Class D Units, inclusive of all amounts distributed pursuant to subparagraph (2) above, shall not exceed 75% of the Class D proportionate share of distributable cash (the "Class D Unit Entitlement Threshold") and the General Partner, in its discretion, may adjust the Class D distribution ratio between the holders of Class A LP Units and the holders of Class D LP Units to increase the percentage of distributions to the holders of Class A LP Units from time to time to ensure that the distribution of distributable cash to the holders of Class LP D Units does not exceed the Class D Unit Entitlement Threshold;

Prestige Hospitality Opportunity Fund - I GP Inc.

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

- (vi) the Class E proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class E LP Units in accordance with their Class E proportionate share until each holder of Class E LP Units has received return of their capital contributions in respect of all such Units held; thereafter;
 - (2) secondly, 85% to the holders of Class E LP Units in accordance with their Class E proportionate share and 15% to the holders of Class A LP Units in accordance with their Class A proportionate share;
- (vii) the Class F proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class F LP Units in accordance with their Class F proportionate share until each holder of Class F LP Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly, 87.5% to the holders of Class F LP Units in accordance with their Class F proportionate share and 12.5% to the holders of Class A LP Units in accordance with their Class A proportionate share;
- (viii) the Class G proportionate share of distributable cash will be distributed:
 - (1) firstly, to holders of Class G LP Units in accordance with their Class G proportionate share until each holder of Class G LP Units has received return of their capital contributions in respect of all such Units held; thereafter
 - (2) secondly 90% to the holders of Class G LP Units in accordance with their Class G proportionate share and 10% to the holders of Class A LP Units in accordance with their Class A proportionate share; and
- (ix) with respect to Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O LP Units, the General Partner in its discretion may allocate any of the distributions to be made to the Class A LP Units in sub-paragraphs (i)-(viii) above to the holders of Class H, Class I, Class J, Class K, Class L, Class M, Class N and Class O LP Units on any terms on its discretion that it so chooses.

The address and principal place of business of the Company is #2000, 2021 - 100 Avenue NE, Calgary, Alberta, T3J 0R3.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Prestige Hospitality Opportunity Fund - I GP Inc.

Notes to Financial Statements

December 31, 2015

(expressed in Canadian dollars)

The financial statements were authorized for issue by the Board of Directors on January 27, 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- i) any derivative financial instruments are measured at fair value; and
- ii) any held-for-trading financial assets are measured at fair value; with changes in fair value recorded in earnings.

The methods used to measure fair values are discussed in note 8.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

These financial statements do not include any critical estimates or assumptions in determining the value of assets, liabilities or equity.

3. Significant accounting policies

(a) Income taxes

Income tax expenses comprises current and deferred tax. Income tax expense is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

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(expressed in Canadian dollars)

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(b) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The effective interest method is used for financial instruments measured at amortized cost and allocates interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the instrument, to the net carrying amount on initial recognition.

(i) Financial assets

Financial assets include cash, and due from related parties. Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows have expired or are transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

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Financial assets at fair value through profit or loss

CLASSIFICATION

Financial assets at "fair value through profit or loss" are either classified as held for trading or "designated at fair value through profit or loss". A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy. The Company has designated cash as "fair value through profit or loss".

RECOGNITION AND MEASUREMENTS

Financial assets carried at fair value through profit or loss are initially recognized, and subsequently carried, at fair value, with changes recognized in the statement of loss and comprehensive loss. Transaction costs are expensed when incurred.

Loans and receivables

CLASSIFICATION

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. Assets in this category include due from related parties.

RECOGNITION AND MEASUREMENT

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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Available-for-sale financial assets

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They consist of investments in equity securities and certain other debt securities. They are included in other non current financial assets unless management intends to dispose of the investment within 12 months of the statement of financial position date. Available-for-sale financial assets are recorded at fair value with unrealized gains and losses recorded in other comprehensive income until realized, at which time they are recorded through profit or loss. The Company has not designated any financial assets as available for sale.

Reclassification of financial assets

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

(ii) Financial liabilities

Financial liabilities consist of accounts payable and accrued liabilities and due to related parties.

Financial liabilities are initially measured at fair value plus any directly attributable transactions costs and subsequently measured at amortized cost for liabilities that are not hedged, using the effective interest method, and fair value for liabilities that are hedged. Non performance risk, including the Company's own credit risk for financial liabilities, is considered when determining the fair value of financial liabilities. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(iii) Equity instruments

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

(iv) Impairment

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset, other than those at fair value through profit or loss, or a group of financial assets, is impaired. When an impairment has occurred, the cumulative loss is recognized in profit or loss.

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Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables may include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited through the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Any increase in fair value subsequent to an impairment loss with respect to available-for-sale equity instruments is recognized in other comprehensive income.

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(c) Recent accounting pronouncements with tentative adoption dates

The following accounting pronouncements have been released but have not yet been adopted by the Company:

Financial Instruments

IFRS 9 - Financial Instruments

IFRS 9, "*Financial Instruments*" provides a comprehensive new standard for accounting for all aspects of financial instruments. It includes a logical model for classification and measurement, a single, forward-looking 'expected-loss' impairment model and a substantially reformed approach to hedge accounting. The new standard is effective for years beginning on or after January 1, 2018.

Revenue Recognition

IFRS 15 - Revenue from Contracts and Customers

IFRS 15, "*Revenue from Contracts with Customers*" will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

In July 2015, the IASB amended IFRS 15 to defer the effective date to years beginning on or after January 1, 2018, with early adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach.

The Company has not yet completed its assessment and evaluation of the effect of adopting the new standards and the impact they may have on its financial statements.

4. Share capital

(a) Authorized

Unlimited number of Class A voting common shares
Unlimited number of Class B non-voting common shares
Unlimited number of First Preferred shares

(b) Issued

During the period ended December 31, 2014, the Company issued 100 Class A shares for gross proceeds of \$10 upon incorporation.

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(expressed in Canadian dollars)

5. Personnel expenses

The total remunerations for employees included in general and administrative expenses was \$NIL (2014 - \$Nil) for the year ended December 31, 2015. No remuneration was paid to executive officers and directors for the period ended December 31, 2015 and December 31, 2014.

6. Supplemental cash flow information

| | 2015 | 2014 |
|--|-----------------|-----------------|
| Goods and services tax recoverable | \$ (446) | \$ - |
| Accounts payable and accrued liabilities | <u>-</u> | <u>6,000</u> |
| Changes in non-cash working capital | <u>\$ (446)</u> | <u>\$ 6,000</u> |
| Interest paid | <u>\$ -</u> | <u>\$ -</u> |
| Income tax paid | <u>\$ -</u> | <u>\$ -</u> |

7. Related party transactions

The Company is the General Partner to the Partnership and as per the Partnership Agreement, the Partnership will pay the Company a mezzanine financing fee of 2% of the profits of any mezzanine financing provided by the Partnership to a mezzanine borrower.

The amount due from related parties is due from the Partnership and is unsecured, non-interest bearing and has no specified terms of repayment.

The amount due to related parties outstanding at December 31, 2014 related to amounts outstanding advanced from companies related to the Company by common key officers and directors. The amount due to related parties was unsecured, non-interest bearing and had no specific terms of repayment.

8. Financial instruments

(a) Risk management overview

The Company's activities expose it to a variety of financial risks. This note presents information about the Company's exposure to each of the risks, the Company's objectives, policies and processes for measuring and managing risk, and the Partnership's management of capital. Further quantitative disclosures are included throughout these financial statements. The Company employs risk management strategies and policies to ensure that any exposure to risk are in compliance with the Company's business objectives and risk tolerance levels.

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December 31, 2015

(expressed in Canadian dollars)

(b) Fair values of financial instruments

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - reflects valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 - reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - reflects valuation techniques with significant unobservable market inputs. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The financial instrument in the Company's financial statement, measured at Level 1 is cash.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at December 31, 2015 is as follows:

| | 2015 | 2014 |
|--------------------------|-----------------|-----------------|
| Cash | \$ 524 | \$ 399 |
| Due from related parties | <u>4,000</u> | <u>6,500</u> |
| | <u>\$ 4,524</u> | <u>\$ 6,899</u> |

The Company's due from related parties is current as at December 31, 2015.

The Company manages the credit exposure related to amounts due from related parties by monitoring the activities of the related party.

The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Management does not expect any counterparty to fail to meet its obligations.

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(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. The Company's ongoing liquidity will be impacted by various external events and conditions.

The Company's financial liabilities consist of accounts payable and accrued liabilities and due to related parties.

The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow, as well as future financings.

The Company's accounts payable and accrued liabilities are all considered current and are comprised of the following:

| | 2015 | 2014 |
|---|------------------------|------------------------|
| Accrued liabilities | \$ <u>6,000</u> | \$ <u>6,000</u> |
| Total accounts payables and accrued liabilities | \$ <u><u>6,000</u></u> | \$ <u><u>6,000</u></u> |

All of the accounts payable and accrued liabilities are due on standard credit terms and are expected to be settled within one year.

(e) Capital risk management

The Company's capital management policy is to maintain a strong capital base that optimizes the Company's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Company intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Company's early stage of development and the requirement to sustain future development of the business.

The Company will manage its capital structure and make changes to it in the light of changes in economic conditions and the risk characteristics of the underlying investment in real estate assets. The Company considers its capital structure to include shareholder's deficiency. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Company is not subject to externally imposed capital requirements as at December 31, 2015.

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(expressed in Canadian dollars)

The Company's capital management policies have not changed during the year ended December 31, 2015.

9. Subsequent events

- (a) The Fund prepared an Offering Memorandum dated January 27, 2016, whereby the Fund has offered to issue 47,481,268 Fund Units at \$0.95 per Fund Unit until the later March 16, 2016 and the closing date of the hotel acquisitions, after which the price will increase to \$1.00 per Fund Unit for total gross proceeds of \$47,218,110. The \$0.95 per Fund Unit pricing may be extended until March 31, 2016 at the discretion of the Trustees. The 47,481,268 Fund Units to be issued assumed that the first \$5,000,000 in Fund Units issued under the offering are sold for \$0.95 per Fund Unit. The Trustees, at their sole discretion, may at any time without notice increase the price per Fund Unit under the offering. The estimated costs of the offering are \$6,273,853, assuming that the maximum offering is met, for net proceeds of \$40,952,956. The closings of the offering are set to take place periodically at the discretion of the Fund. In accordance with the offering, the net proceeds to the Fund shall be used to invest in up to 47,481,268 Class B - G Units of the Partnership. The funds received by the Partnership will be used by the Partnership for the acquisition of existing operating hotel properties and other general and administrative expenses in connection with the operations of the Partnership.

10. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

ITEM 13 - DATE AND CERTIFICATE

Dated: January 27, 2016

This Offering Memorandum does not contain a misrepresentation.

signed "Naushad (Jim) Jiwani"

Naushad (Jim) Jiwani – Trustee

signed "Arif Amlani"

Arif Amlani – Trustee

signed "Saleem Budhwani"

Saleem Budhwani – Trustee

signed "Curtis Potyondi"

Curtis Potyondi - Trustee