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**CONFIDENTIAL OFFERING MEMORANDUM  
CENTURION FINANCIAL TRUST**

**DATE** January 27, 2017

**THE ISSUER**

**Name** Centurion Financial Trust (the “**Trust**”)

**Head Office**

**Address:** 25 Sheppard Avenue West, Suite 710, Toronto, ON M2N 6S6  
**Phone No.:** (416) 733-5600  
**E-Mail:** invest@centurion.ca  
**Fax No.** (416) 733-5602

**Currently listed or quoted?** No – These securities do not trade on any exchange or market

**Reporting Issuer?** No

**SEDAR Filer?** No

**THE OFFERING**

**Securities Offered:** Class A, Class I, and Class F trust units of the Trust (collectively, the “**Offered Units**”)

**Price per security:** Determined by the trustees of the Trust from time to time and set forth in the subscription agreement(s) entered into between the subscriber(s) and the Trust.

**Minimum offering:** There is no minimum. You may be the only purchaser.  
  
Funds available under the offering may not be sufficient to accomplish our proposed objectives.

**Maximum offering:** The Trust will offer an unlimited number of Offered Units on a continuous basis.

**Minimum Subscription Amount:** Initial Subscription: \$25,000  
Additional Investments: \$5,000

**Payment terms:** Certified Cheque, Bank Draft or Wire Transfer due on closing

**Proposed closing dates:** The Offered Units will be offered for sale on a continuous basis commencing on the date of the certificate attached to this Offering Memorandum and ending at the discretion of the trustees of the Trust. Closings will occur from time to time on dates determined by the Trust.

**Income Tax Consequences** There are important tax consequences to these securities. See “Item 6: Income Tax Consequences and RRSP Eligibility”.

**Selling Agent:** Yes – See “Item 7: Compensation Paid to Sellers and Finders”.

The Trust is a connected issuer, and may be considered to be a related issuer, of Centurion Asset Management Inc. (the “**Asset Manager**”), its asset manager and an exempt market dealer, investment fund manager and restricted portfolio manager in certain jurisdictions, in connection with the distribution of the Offered Units hereunder, which may result in potential conflicts of interest. See “Item 2: Business of Centurion Financial Trust – 2.1 Structure” and “Item 7: Compensation Paid to Sellers and Finders”.

**RESALE RESTRICTIONS**

You will be restricted from selling your securities for an indefinite period. See “Item 10: Resale Restrictions”.

**PURCHASER'S RIGHTS**

If you are purchasing Units pursuant to the offering memorandum exemption contained in Section 2.9 of National Instrument 45-106 *Prospectus Exemptions* you have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation contained in this offering memorandum, you have the right to sue for damages or to cancel the agreement. See “Item 11: Purchaser's Rights”. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See “Item 8: Risk Factors”.

*This Offering Memorandum constitutes an offering of the securities described herein only in the provinces and territories of Canada, and to those persons to whom they may be lawfully offered for sale and only by persons permitted to sell these securities. This Offering Memorandum is not, and under no circumstances is it to be construed as, a prospectus or advertisement or a public offering of securities. No securities commission or similar authority in Canada or in any other jurisdiction has reviewed this Offering Memorandum or in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. Persons who will be acquiring securities pursuant to this Offering Memorandum will not have the benefit of the review of this material by a securities commission or similar authority.*

*This Offering Memorandum is intended for use by investors solely in connection with the consideration of the purchase of these securities. No person is authorized to give any information or to make any representation not contained in this Offering Memorandum in connection with the offering of these securities and, if given or made, no such information or representation may be relied upon. This Offering Memorandum is confidential. By their acceptance hereof, prospective investors agree that they will not transmit, reproduce or make available to anyone this Offering Memorandum or any information contained herein.*

## CENTURION FINANCIAL TRUST

### CONTINUOUS OFFERING

#### Class A, Class F, and Class I Units



The Trust is a connected issuer, and may be considered to be a related issuer, of Centurion Asset Management Inc. (the "Asset Manager"), its asset manager and an exempt market dealer, investment fund manager, and restricted portfolio manager in certain jurisdictions, in connection with the distribution of the Units hereunder, which may result in potential conflicts of interest. The Trust is a connected issuer of the Asset Manager due to the factors described in this Offering Memorandum under "Relationship between the Trust, The Asset Manager, and Affiliates of the Asset Manager", and in particular as a result of the fact that Mr. Gregory Romundt is the President of both the Trust and the Asset Manager, and Mr. Gregory Romundt and his family beneficially own all of the shares of the Asset Manager and its affiliates, and the Investment Advisor. The Trust has retained the Asset Manager to provide advisory services and information relating to investment opportunities to it pursuant to the Asset Management Agreement as described under "Item 2: Business of Centurion Financial Trust - 2.1 Structure - The Asset Manager" and will pay the Asset Manager the fees in certain circumstances described under "Item 2: Business of Centurion Financial Trust - 2.1 Structure - The Asset Manager's Fees". The Trust may be considered to be a related issuer of the Asset Manager by virtue of the Asset Manager's right, during the term of the Asset Management Agreement, to appoint a prescribed number of nominees to the board of trustees of the Trust as more particularly described under "Item 2: Business of Centurion Financial Trust - 2.1 Structure - Trustees". The prescribed number of nominees that the Asset Manager is entitled to appoint varies depending on the size of the board of trustees, but the prescribed number exceeds 20% of the number of trustees. In addition, the Asset Manager is the asset manager of, and adviser to, Centurion Apartment Real Estate Investment Trust and Centurion Real Estate Opportunities Trust, as well as several other clients. See "Item 2: Business of Centurion Financial Trust - 2.1 Structure - Trustees", "Item 2: Business of Centurion Financial Trust - 2.1 Structure - Relationship Between the Trust, the Asset Manager and Affiliates of the Asset Manager" and "Item 7: Compensation Paid to Sellers and Finders". The Trust has or will enter into warehouse agreements with each of Centurion Apartment Real Estate Investment Trust, Centurion Real Estate Opportunities Trust, and Centurion Asset Management Inc., whereby each of Centurion Apartment Real Estate Investment Trust, Centurion Real Estate Opportunities Trust and Centurion Asset Management Inc. has separately entered into agreements to potentially fund or purchase and warehouse certain investments originated by (or on behalf of) the Trust. If the Trust ceases to qualify as a "mutual fund trust" under the *Income Tax Act*, the income tax considerations would be materially and adversely different in certain respects. There can be no assurance that Canadian federal and provincial income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders.

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## SUBSCRIPTION PROCEDURE AND CHECKLIST

Applicable Canadian securities laws prescribe certain of the documentation that must be completed in order to subscribe for Units. The documentation that you must complete will depend on the jurisdiction in which you are resident and the prospectus exemption on which you are relying. A summary of the documentation requirements is set forth below:

**IMPORTANT:** The following items must be completed and executed in connection with your subscription (as set out in the subscription agreement for Units (the “Subscription Agreement”). All references to pages and schedules below are references to the applicable page or schedule of the Subscription Agreement.

### All Purchasers

\_\_\_\_\_ Complete and execute all applicable lines on pages 1 and 2 of the Subscription Agreement.

\_\_\_\_\_ Provide a certified cheque, or bank draft or wire transfer made payable to the Trust for the Total Subscription Price (as defined in the Subscription Agreement) indicated on page 1 of the Subscription Agreement. Provide a separate cheque marked “VOID” from the account to which distributions should be credited, if you have selected cash distributions.

### Accredited Investor Exemption – All provinces and territories of Canada

\_\_\_\_\_ If an “accredited investor”, complete and execute Schedule A – Accredited Investor Status Certificate, indicating which category is applicable. You do **not** need to complete Schedule B, C, or D if Schedule A is completed. Individual investors must also complete Exhibit A to Schedule A.

### Family, Friends and Business Associates Exemption – All provinces and territories of Canada (other than Québec)

\_\_\_\_\_ If relying on the “Family, Friends and Business Associates” exemption complete and execute Schedule B – Family, Friends and Business Associates Status Certificate, indicating which category is applicable. You do not need to complete Schedule A, C, D if Schedule B is completed. If you are resident in Saskatchewan, you must also complete Exhibit A to Schedule B. If you are resident in Ontario, you must also complete Exhibit B to Schedule B. This exemption is not available to residents of Québec.

### Minimum Amount Investment Exemption – All provinces and territories of Canada (other than Québec)

\_\_\_\_\_ If relying on the “Minimum Amount Investment” exemption, complete and execute Schedule C – Minimum Amount Investment Status Certificate. You do **not** need to complete Schedule A, B, or D if Schedule C is completed. This exemption is not available to individuals or residents of Québec.

### Offering Memorandum Exemption – All provinces and territories of Canada (other than Québec)

\_\_\_\_\_ If relying on the “Offering Memorandum” exemption, complete and execute Schedule D – Eligible Investor Status Certificate and Exhibit A to Schedule D. If you are resident in Alberta, New Brunswick, Nova Scotia, Ontario, Quebec or Saskatchewan, you must also complete Exhibit B to Schedule D. You do **not** need to complete Schedule A, B, or

C if Schedule D is completed unless Schedule D specifically provides that you must complete one of Schedule A or Schedule B. This exemption is not available to residents of Québec.

**All purchasers must provide a completed and originally executed copy of the Subscription Agreement, including this instruction sheet and the items required to be completed as set out above.**

## SUMMARY OF THE OFFERING

*The following is a summary of certain information contained in this Offering Memorandum, and reference should be made to the more detailed and additional information contained elsewhere in this Offering Memorandum. Capitalized terms used and not otherwise defined herein have the meanings set out in the Glossary of Terms.*

<b>Issuer:</b>	Centurion Financial Trust (the “Trust”)
<b>Issue:</b>	Class A, Class F and Class I units of the Trust issuable in series offered pursuant to this Offering Memorandum (together, with any New Class of Units, collectively, the “Investor Units”).
<b>Price:</b>	The price per Investor Unit will be determined by the Trustees from time to time and set forth in the subscription agreement(s) entered into between the subscriber(s) and the Trust.
<b>Minimum Initial Subscription:</b>	\$25,000
<b>Minimum Additional Subscription:</b>	\$5,000
<b>Eligible Subscribers for Units:</b>	Investors who are eligible to purchase Investor Units on an exempt basis under, and subject to compliance with, applicable securities laws.
<b>Closings:</b>	The Investor Units will be offered for sale on a continuous basis commencing on the date of the certificate attached to this Offering Memorandum and ending at the discretion of the Trustees. Closings will occur from time to time on dates determined by the Trustees. All subscriptions are subject to rejection or acceptance in full or in part and the right is reserved to discontinue or resume the Offering at any time without notice by the Trust.
<b>Distributions:</b>	<p>The Declaration of Trust provides that the Trust may distribute to Unitholders such percentage of the Distributable Income for the calendar month then ended as the Trustees determine in their discretion for the period. See “Item 4: Capital Structure – 4.1 Share Capital – Distribution Policy”.</p> <p>The Trustees may, in their discretion, allocate distributions among the classes of Units to adjust for the commissions, trailers and other costs attributable to the sales channels relating to each class of Unit. For the twelve month period following the date of this Offering Memorandum, it is the Trust’s current intention to distribute \$0.70 per Class A Unit per annum and \$0.80 per Class F and Class I Unit per annum, payable on a monthly basis and to allocate distributions among the classes of Units to adjust for the commissions, trailers and other costs attributable to the sales channels relating to each class of Unit such that the Fair Market Value of each class of Units is the same. See “Item 4: Capital Structure – 4.1 Share Capital – Distribution Rates per Unit”.</p> <p>There can be no assurance that the Trust will be able to achieve its distribution targets or that the Trust will make any distributions in any particular month. See “Item 8: Risk Factors – Availability of Cash for Distributions”.</p>



<b>Attributes of Units:</b>	<p>The Units represent the beneficial ownership interest of the holders thereof in the Trust. Each Unit carries one (1) vote at meetings of Unitholders and a holder thereof is entitled to distributions as described above. The Trustees may, at any time and from time to time, authorize the Trust to issue additional classes of Units without the authorization of Unitholders. Each Units of a class will share in assets of the Trust attributable to such Class on an equal <i>pro rata</i> (or “<i>pari passu</i>”) basis.</p> <p>See “Item 5: Securities Offered – 5.1 Terms of Securities”.</p>
<b>Use of Available Funds (Proceeds):</b>	<p>The net proceeds to the Trust of the Offering, after deducting expenses in respect of the Offering, are expected to be used for future investments in accordance with the investment objectives of the Trust, subject to the investment guidelines and operating policies of the Trust. This includes using funds for Investments, redemptions and general working capital purposes. The Trust reserves the right to allocate the net proceeds of the Offering for other purposes in accordance with sound business judgment and subject to the investment guidelines and operating policies of the Trust.</p>
<b>Purchase Options:</b>	<p>Subscribers may subscribe directly through the Asset Manager or through a registered dealer using one of five purchase options:</p> <p><b>Class A Units:</b></p> <ul style="list-style-type: none"> <li>(1) a deferred sales charge option;</li> <li>(2) a low load option; and</li> <li>(3) a front load option.</li> </ul> <p><b>Class F Units:</b></p> <ul style="list-style-type: none"> <li>(4) a fee based account option (fee based accounts only).</li> </ul> <p><b>Class I Units:</b></p> <ul style="list-style-type: none"> <li>(5) an Institutional account option.</li> </ul> <p>Direct subscriptions through the Asset Manager may only be made on the deferred sales charge option. See “Item 7: Compensation Paid to Sellers and Finders – Purchase Options” and “Item 2: Business of Centurion Financial Trust – 2.1 Structure – The Asset Manager’s Fees”.</p>
<b>Representations of Subscribers:</b>	<p>Each Subscriber will represent to the Trust and any dealer who sells the Units to such Subscriber that such Subscriber is eligible to purchase Units on an exempt basis under, and subject to compliance with, applicable securities laws.</p>
<b>Fees and Expenses:</b>	<p>The Trust is different from many other pooled investment vehicles in that it has an internal management structure. Accordingly, the Trust is responsible to pay for all fees and expenses as more particularly disclosed under “Item 2: Business of Centurion Financing Trust – 2.1 Structure – Internal Management”. In addition, the Asset Manager, or a designated affiliate, is entitled to an acquisition fee or a sourcing fee in connection with the Trust making certain Investments, as well as to recover its reasonable costs and expenses, but excluding personnel costs of the Asset Manager. In lieu of performance incentive fees, the Asset Manager is entitled to a 5% interest in the Trust’s cash distributions and an equity interest in the net assets of the Trust attributable to the Investor Units through its ownership of the Class M Units, as more particularly described under “Item 2: Business of Centurion Financial Trust – 2.1 Structure – The Asset Manager’s Fees”.</p>

**Conflicts of Interest:**

The Trust may be subject to various conflicts of interest because of the fact that the Trustees and senior officers of the Trust, senior officers of the Asset Manager, the Investment Advisor and the Mortgage Servicer are engaged in a wide range of investment, real estate and other business activities. The Trust may become involved in transactions which conflict with the interests of one or more of the foregoing entities. See “Item 8: Risk Factors – Potential Conflicts of Interest”.

## GLOSSARY OF TERMS

**“Additional Committees”** means any additional committees governing the affairs of the Trust created by the Trustees, in their discretion pursuant to the Declaration of Trust.

**“Adjustment Factors”** has the meaning ascribed thereto under “Item 4: Capital Structure – 4.1 Share Capital – Calculation of Unit Fair Market Value and Posted Prices”.

**“allowable capital loss”** has the meaning ascribed thereto under “Item 6: Income Tax Consequences and RRSP Eligibility For Investment – Canadian Federal Income Tax Considerations”.

**“Approved Warehouse Transactions”** means a transaction governed by or completed pursuant to a Warehouse Agreement.

**“Asset Management Agreement”** means the agreement dated January 16, 2017 between the Asset Manager and the Trust.

**“Asset Manager” or “CAMI”** means Centurion Asset Management Inc., a corporation governed by the laws of the Province of Ontario and its successors.

**“Audit Committee”** means the audit committee created pursuant to the Declaration of Trust.

**“Board of Trustees”** means the board of trustees of the Trust.

**“Business Day”** means a day, other than a Saturday or Sunday, on which Schedule I chartered banks are open for business in Toronto, Ontario.

**“capital gains refund”** has the meaning ascribed thereto under “Item 6: Income Tax Consequences and RRSP Eligibility For Investment – Canadian Federal Income Tax Considerations”.

**“Centurion Apartment REIT”** means Centurion Apartment Real Estate Investment Trust, an unincorporated investment trust governed by the laws of the Province of Ontario.

**“Centurion Appointees”** the meaning ascribed thereto under “Item 2: Business of Centurion Financial Trust – 2.1 – Structure – Trustees”.

**“Centurion Asset Management GP Inc.” and “CAMI GP”** means Centurion Asset Management GP Inc., a corporation governed by the laws of the Province of Ontario owned by Centurion Apartment REIT, Centurion Real Estate Opportunities Trust, and Centurion Financial Trust.

**“Centurion REOT”** means Centurion Real Estate Opportunities Trust, an unincorporated investment trust governed by the laws of the Province of Ontario and its successors.

**“CFIT”** means CFIT Trust and has the meaning ascribed thereto under Item 2: Business of Centurion Financial Trust – 2.1 Structure – Centurion Financial Trust Operating Structure”.

**“CFIT GP”** means Centurion Financial Trust GP Inc., a corporation governed by the laws of the Province of Ontario, which is a general partner of the CFIT LP.

**"CFIT LP"** means Centurion Financial Trust LP, a limited partnership governed by the laws of the Province of Ontario, and CFIT GP and CAMI GP are its general partners.

**"Class"** means a class of units of beneficial interest in the Trust.

**"Class A Units"** means a unit of beneficial interest in the Trust designated as Class A units.

**"Class F Unit"** means a unit of beneficial interest in the Trust designated as Class F units.

**"Class I Unit"** means a unit of beneficial interest in the Trust designated as Class I units.

**"Class M Unit"** means a unit of beneficial interest in the Trust designated as Class M units.

**"Class R Unit"** means a unit of beneficial interest in the Trust designated as Class R units.

**"conventional mortgage"** means a mortgage for which the principal amount, at the time of commitment, together with all other equal and prior ranking mortgages: (a) in the case of a property purchase, does not exceed the lower of 75% of the purchase price of the underlying real property securing the mortgage and 75% of the appraised value of the underlying real property securing the mortgage as determined by a qualified appraiser; and (b) in the case of a refinancing, does not exceed 75% of the appraised value of the underlying real property securing the mortgage as determined by a qualified appraiser at the time of such refinancing.

**"CRA"** means the Canada Revenue Agency.

**"Declaration of Trust"** means the amended and restated declaration of trust made as of January 3, 2017, governed by the laws of the Province of Ontario, pursuant to which the Trust was created, as amended, supplemented or amended and restated from time to time.

**"Deferred Sales Charge" or "DSC"** means any charge that is applied against the redemption proceeds to a Unitholder for an early redemption where the Unitholder has subscribed using the Deferred Sales Charge Option (see "Item 7: Compensation Paid to Sellers and Finders – Purchase Options").

**"Distributable Income"** means, for any period, the net income of the Trust and its applicable consolidated Subsidiaries for such period set out in its consolidated financial statements as determined in accordance with IFRS, subject to certain adjustments, including: (a) adding back the following items: depreciation, amortization (except for amortization of deferred financing costs, future income tax expense, losses on dispositions of assets and amortization of any net discount on long-term debt assumed from vendors of properties at rates of interest less than fair value); and (b) deducting the following items: future income tax credits, interest on convertible debentures to the extent not already deducted in computing net income, gains on dispositions of assets and amortization of any net premium on long-term debt assumed from vendors of properties at rates of interest greater than fair value and any other adjustments determined by the Trustees in their discretion.

**"DRIP"** means a distribution reinvestment plan established by the Trustees for the purposes of allowing Unitholders to reinvest distributions on the Units in additional Units.

**"Fair Market Value" or "FMV"** means the value of the Units determined by the Trustees, in their sole discretion, using reasonable methods of determining fair market value. Fair Market Value may or may not be equal to the net asset value of the Units, depending on the methods used by

the Trustees in making a particular determination of Fair Market Value. See “Item 4: Capital Structure – 4.1 Share Capital – Valuation Policy”.

**“Fee Based Account”** means an account in which the Unitholder would hold Units that has fees attached to the assets in the account and/or where the Unitholders advisor or portfolio manager is already being paid fees for service such that if commissions or trailers would be paid to the advisor or portfolio manager, the Unitholder would be in effect by paying a duplication of fees.

**“Focus Activity”** means originating and providing flexible financing solutions to individuals and companies that are underserved by traditional financial institutions using a broad mix of Investments.

**“Gross Book Value”** means, at any time, the book value of the assets of the Trust, as shown on its then most recent balance sheet plus the amount of accumulated depreciation and amortization thereon.

**“IFRS”** means International Financial Reporting Standards.

**“In Specie Distributions”** has the meaning ascribed thereto under “Item 5: Securities Offered – 5.1 Terms of Securities – Description of the Units – Redemption of Units”.

**“Independent”** means, with respect to a Person, a Person who has no direct or indirect material relationship with the Asset Manager, its affiliates, or the Trust which could, in the view of the Board of Trustees, reasonably interfere with such Person’s judgment.

**“Independent Trustee”** means a trustee who has no direct or indirect material relationship with the Trust which could, in the view of the Board of Trustees, reasonably interfere with a Trustee’s independent judgment.

**“Independent Trustee Matters”** has the meaning ascribed thereto under “Item 2: Business of Centurion Financial Trust – 2.1 Structure – Independent Trustee Matters”.

**“Institutional Lenders”** has the meaning ascribed thereto under “Item 2: Business of Centurion Financial Trust – 2.4 Long Term Objectives – Mortgage Investments”.

**“Investment Advisor”** means Centurion Financial Corporation, a corporation governed by the laws of the Province of Ontario that is an affiliate of the Asset Manager.

**“Investment Committee”** has the meaning ascribed thereto under “Item 2: Business of Centurion Financial Trust – 2.1 Structure – Investment Committee”.

**“Investment Guidelines”** means the investment guidelines and operating policies of the Trust set out under “Item 2: Business of Centurion Financial Trust – 2.2 Our Business – Investment Guidelines and Operating Policies”.

**“Investments”** means any conventional or unconventional financing structures including, but not limited to, senior secured term loans, asset backed loans, bridge loans, subordinated loans, mezzanine loans, syndicated loans, preferred shares, royalties, equipment financing arrangements, inventory financing arrangements, factored accounts receivable, conventional and unconventional mortgages, convertible debentures, equity securities, securitizations, and other equity interests or participations.

**“Investor Unit”** means a Unit that is not a Class M Unit or a Class R Unit and is either a Class A, a Class F, a Class I unit or a New Class of Unit.

**“joint arrangement partners”** has the meaning ascribed thereto under “Item 2: Business of Centurion Financial Trust – 2.2 Our Business – Investment Guidelines and Operating Policies”.

**“joint arrangement entity”** has the meaning ascribed thereto under “Item 2: Business of Centurion Financial Trust – 2.2 Our Business – Investment Guidelines and Operating Policies”.

**“Management”** means the management team of the Trust described under “Item 2: Business of Centurion Financial Trust – 2.1 Structure – The Management Team”.

**“Material Contracts”** has the meaning ascribed thereto under “Item 2: Business of Centurion Financial Trust – 2.9 Material Agreements”.

**“Monthly Limit”** has the meaning ascribed thereto under “Item 5: Securities Offered – 5.1 Terms of Securities – Description of the Units – Redemption of Units”.

**“Mortgage Assets”** means mortgage loan investments and other mortgage assets.

**“Mortgage Servicer”** means Centurion Mortgage Services Corporation, a corporation governed by the laws of the Province of Ontario that is engaged by the Asset Manager, on behalf of The Trust, for the purposes of servicing Mortgage Assets of the Trust that aren’t serviced by another licensed mortgage administrator.

**“New Class of Unit”** or **“New Classes of Units”** means any additional class or classes of units, as applicable, of the Trust which may be created by the Trust and sold pursuant to this Offering Memorandum (as amended).

**“NI 45-106”** means National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators, as it may be amended from time to time.

**“Non-Resident Beneficiaries”** has the meaning ascribed thereto under “Item 5: Securities Offered – 5.1 Terms of Securities – Description of the Units – Limitation on Non-Resident Ownership”.

**“Notice”** has the meaning ascribed thereto under “Item 5: Securities Offered – 5.1 Terms of Securities – Description of the Units – Redemption of Units”.

**“Offering”** means the offering of Investor Units on a continuous basis pursuant to this Offering Memorandum and any concurrent offering memorandum.

**“Offering Memorandum”** means this confidential offering memorandum, as may be amended or amended and restated.

**“Person”** means an individual, partnership, limited partnership, corporation, unlimited liability company, trust, unincorporated organization, association, government, or any department or agency thereof and the successors and assigns thereof or the heirs, executors, administrators or other legal representatives of an individual, or any other entity recognized by law.

**“Portfolio”** means the portfolio of Investments held by the Trust, directly or indirectly through one or more Subsidiaries, including CFIT and CFIT LP.

**“Portfolio Companies”** means companies in which the Trust has made its Investments.

**“Posted Price”** means, in respect of a Unit, the Fair Market Value of the Unit, as determined by the Trustees and posted on The Trust’s website.

**“Redemption Date”** has the meaning ascribed thereto under “Item 5: Securities Offered – 5.1 Terms of Securities – Description of the Units – Redemption of Units”.

**“Registered Plan”** means any RRSP, RRIF, TFSA, deferred profit sharing plan, registered disability savings plan, or registered education savings plan.

**“Regulations”** means the regulations to the Tax Act.

**“Related Party”** means, with respect to any Person, a Person who is a “related party” as that term is defined in Ontario Securities Commission Rule 61-501, as amended from time to time (including any successor rule or policy thereto).

**“RRIF”** means a registered retirement income fund.

**“RRSP”** means a registered retirement savings plan.

**“Service Providers”** has the meaning ascribed thereto under “Item 8: Risk Factors – Potential Conflicts of Interest”.

**“Short Term Trading Fee”** means the amount, (if any) of the reduction in Unit redemption price that will be applied as a fee against the Unitholder’s redemption if a Unitholder redeems Units early. See “Item 7: Compensation Paid to Sellers and Finders – Purchase Options.”

**“SIFT Rules”** means the provisions of the Tax Act providing for a tax on certain income earned by a SIFT Trust or a SIFT Partnership, each as defined in the Tax Act.

**“SIFT Trust”** means a specified investment flow-through trust for the purposes of the Tax Act.

**“sub limits”** has the meaning ascribed thereto under “Item 2: Business of Centurion Financial Trust – 2.1 Structure – Investment Committee”.

**“Subscriber”** means a Person purchasing Units pursuant to this Offering.

**“Tax Act”** means the *Income Tax Act*, R.S.C. 1985, c.1 (5<sup>th</sup> Supp.), and the regulations thereunder as may be amended from time to time.

**“Tax Proposals”** means all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

**“taxable capital gain”** has the meaning ascribed thereto under “Item 6: Income Tax Consequences and RRSP Eligibility – Canadian Federal Income Tax Considerations”.

**“TFSA”** means a tax-free savings account.

**“Trustees”** means the trustees of Centurion Financial Trust.

**“unconventional mortgage”** has the meaning ascribed thereto under “Item 2: Business of Centurion Financial Trust – 2.2 Our Business Investment Guidelines and Operating Policies.”

**“Unit”** means, as the context may require, a Class A Unit, a Class F Unit, a Class I unit, a New Class of Unit, a Class M Unit or a Class R Unit and includes a fraction of a unit of the Trust.

**“Unit Redemption Price”** has the meaning ascribed thereto under “Item 5: Securities Offered – 5.1 Terms of Securities – Description of the Units – Redemption of Units”.

**“Unitholder”** means a holder of one or more Units.

**“Valuation Date”** means (a) December 31 of each calendar year, (b) September 30 of each calendar year and (c) any other such day or days as determined from time to time by the Trustees in their discretion.

**“Warehouse Agreement”** means investment warehouse agreement dated January 16, 2017 between the Trust and each of Centurion Apartment REIT, Centurion REOT, and CAMI whereby each of Centurion Apartment REIT, Centurion REOT, and CAMI has separately entered into agreements to potentially fund or purchase and warehouse certain investments originated by (or on behalf of) the Trust.

**“Warehoused Investments”** has the meaning ascribed thereto under “Item 2: Business of Centurion Financial Trust – 2.4 Long Term Objectives – Warehouse Agreement”.



## FORWARD-LOOKING STATEMENTS

Certain statements contained in this Offering Memorandum (and any provisions of the Offering Memorandum incorporated by reference herein) constitute forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Trust believes, expects, or anticipates will or may occur in the future (including, without limitation, statements regarding any objectives and strategies of the Trust) are forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks (including the risks identified under “Item 8: Risk Factors”), uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Trust and the Asset Manager (and its affiliates, as applicable) believe that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Offering Memorandum (and any provisions of the Offering Memorandum incorporated by reference herein) should not be unduly relied on. These statements speak only as of the date of this Offering Memorandum or as of the date specified in such statements, as the case may be and, except as may be required by applicable securities laws, the Trust, and the Asset Manager (and its affiliates) disclaim any intent or obligation to update any forward-looking statements whether as a result of new information, future events, or results or otherwise.

## ITEM 1: USE OF AVAILABLE FUNDS

### 1.1 Funds

The estimated total available funds to the Trust after giving effect to the Offering are as follows:

		Assuming max. offering <sup>(1)</sup>
A.	Amount to be raised by this Offering	N/A
B.	Selling commission and fees <sup>(2)</sup>	N/A
C.	Estimated costs of the Offering <sup>(3)</sup> (e.g. legal, accounting, audit, etc.)	\$200,000
D.	Available funds: $D = A - (B + C)$	N/A

Notes:

- (1) There is no minimum offering. The Trust will offer an unlimited number of Units on a continuous basis.
- (2) The Trust sells Units through securities dealers. It is expected that the Trust will pay compensation to such securities dealers, up to a maximum of approximately 5% of the subscription proceeds depending on the purchase option selected. The Trust will also pay trailing commissions to securities dealers in respect of Units sold by them or held in the client accounts of such securities dealers. The trailing commission will depend on the purchase option through which the Units are purchased. To the extent that the Trust is responsible for the payment of compensation to securities dealers, including trailing commissions, the funds available to the Trust for investment purposes and distributions will be reduced. See “Item 7: Compensation Paid to Sellers and Finders”. See “Item 8: Risk Factors – Dilution.”
- (3) Offering costs, including the organizational costs of the Trust, are estimated at \$200,000. These costs will be paid as a general expense from revenues generated after investment of the proceeds of the Offering. The organizational costs of the Trust will be amortized over a 60 month period.

## 1.2 Use of Available Funds

The following table provides a detailed breakdown of how the Trust will use the available funds.

Description of Intended Use of Available Funds Listed in Order of Priority	Assuming max. offering <sup>(1)</sup>
The net proceeds from the sale of this Offering will be used to invest in accordance with the investment objectives of the Trust, subject to the investment guidelines. This includes using funds for alternative credit opportunities, redemptions and general working capital purposes. <sup>(1)(2)</sup>	N/A

Notes:

- (1) There is no minimum or maximum offering. The Trust will offer an unlimited number of Units on a continuous basis.
- (2) A portion of the available funds may be used by the Trust for payments to Related Parties, including to the Asset Manager, the Investment Advisor, the Loan Servicer, Centurion REOT, and to Centurion Apartment REIT. See “Item 8: Risk Factors – Potential Conflicts of Interest” and “Item 2: Business of Centurion Financial Trust – 2.1 Structure”.

## 1.3 Reallocation

The Trust intends to spend the available funds as stated above and herein. It will reallocate available funds only for sound business reasons. The Units are redeemable in accordance with the provisions of the Declaration of Trust. In the event that the Trust is required to redeem Units (including Class R Units held by Centurion Apartment REIT and/or Centurion REOT), the available funds may be used to satisfy any such redemptions.

## ITEM 2: BUSINESS OF CENTURION FINANCIAL TRUST

### 2.1 Structure

#### CENTURION FINANCIAL TRUST

Centurion Financial Trust (the “**Trust**”) is an unincorporated investment trust created by a declaration of trust made as of January 3, 2017, as amended and restated January 16, 2017 (the “**Declaration of Trust**”) and governed by the laws of the Province of Ontario. See “Item 5: Securities Offered – 5.1 Terms of Securities” and “Item 5: Securities Offered – 5.1 Terms of Securities - Description of the Units”.

The investment objectives of the Trust are to provide Unitholders with income (payable monthly) and capital growth from a diversified portfolio of a broad mix of Investments made to companies and individuals based primarily in Canada and the United States that need flexible solutions and are underserved by traditional financial institutions. See “Item 2: Business of Centurion Financial Trust – 2.4 Long Term Objectives”.

The Trustees are responsible for the general control and direction of the Trust. See “Item 2: Business of Centurion Financial Trust – 2.1 Structure – Management of Centurion Financial Trust”. The Investment Committee reviews and approves smaller Investments made by the Trust and recommends Investments above the sub limits to the Trustees for their consideration.

Future investments of the Trust will be subject to the Investment Guidelines. See “Item 2: Business of Centurion Financial Trust – 2.2 Our Business – Investment Guidelines and Operating Policies”.

The head office of the Trust is located at: 25 Sheppard Avenue West, Suite 710, Toronto, ON M2N 6S6.

#### MANAGEMENT OF CENTURION FINANCIAL TRUST

The investment policies and operations of the Trust are subject to the control and direction of the Trustees, a majority of whom have had at least five (5) years of experience in lending and a majority of whom are Independent Trustees. The Trust’s management team (the “**Management**”) manages the day-to-day operations and administration of the Trust. See “Item 2: Business of Centurion Financial Trust – 2.1 Structure – The Asset Manager”. The Asset Manager, directly or indirectly, sources potential Investments and provides required services relating to the ongoing management of such Investments. See “Item 2: Business of Centurion Financial Trust.

#### INTERNAL MANAGEMENT

The Trust is different from many other pooled investment vehicles in that it has an internal asset management structure. The key benefit of internalization is significant cost savings through the elimination of asset management fees payable to an outside manager, without sacrificing the Trust’s ability to draw upon the expertise of management. Additionally, management believes that the internal management team structure better aligns the management structure of the Trust with the interests of the Unitholders than does a structure where assets of the Trust were managed by an asset manager.

The Trust shares certain office, overhead, staffing and other costs with Centurion Apartment REIT, Centurion REOT, and their respective subsidiaries, and may, in the future, share such costs with any other internally managed funds sponsored by the Asset Manager or its affiliates. Management allocates expenses (including salaries) based on time, space, usage and other allocation metrics among each of Centurion Apartment REIT, Centurion REOT and the Trust. Management anticipates that the internalized management structure will allow for substantial cost savings as the Trust grows. The Trust will have access to all the same resources it would have in an outside management structure, but only pay its respective share of current and future expenses.

The Trust is responsible to pay for all of its own expenses including, but not limited to the following:

- (a) staffing costs, office rents, overhead costs, and office costs;
- (b) interest and other costs of borrowed money;
- (c) fees and expenses of lawyers, accountants, auditors, appraisers and other agents, service providers or consultants employed by or on behalf of the Trust;
- (d) fees and expenses of the Investment Committee (including the remuneration of the Chairperson);
- (e) fees and expenses of the Trustees;
- (f) any fees and expenses payable to the Asset Manager under the Asset Management Agreement;
- (g) fees and expenses connected with the acquisition, disposition and ownership of Investments;
- (h) expenses in connection with payments of distributions of Units of the Trust;
- (i) expenses in connection with communications to Unitholders and the other bookkeeping and clerical work necessary in maintaining relations with Unitholders;

- (j) expenses of changing or terminating the Trust;
- (k) fees and charges of stock exchanges, transfer agents, registrars, indenture trustees and other trustees and custodians;
- (l) all fees, expenses, taxes and other costs incurred in connection with the issuance, distribution, transfer and qualification for distribution to public or private investors as the case may be, of Units and other required governmental filings;
- (m) all costs and expenses in connection with the incorporation or establishment, organization and maintenance of entities formed to hold Investments on behalf of the Trust;
- (n) all reasonable costs and expenses in connection with marketing and building the brand of the Trust; and
- (o) all other costs and expenses that the Trustees, acting reasonably, determine to be the costs and expenses of the Trust.

#### **RELATIONSHIP BETWEEN THE TRUST, THE ASSET MANAGER, AND AFFILIATES OF THE ASSET MANAGER**

The Trust is a connected issuer, and may be considered to be a related issuer, of Centurion Asset Management Inc. (the “**Asset Manager**”), its asset manager and a registered exempt market dealer, investment fund manager, and restricted portfolio manager in certain jurisdictions, in connection with the distribution of the Units hereunder.

The Trust is a connected issuer of the Asset Manager due to various factors, including the fact that Mr. Gregory Romundt is the President of both the Trust and the Asset Manager and Mr. Romundt and his family beneficially own all of the shares of the Asset Manager and its affiliates, the Investment Advisor and the Mortgage Servicer. The Trust has retained the Asset Manager to identify investment opportunities and provide information and advice relating to proposed Investments, pursuant to the Asset Management Agreement as described under “The Asset Manager’s Duties” and will pay the Asset Manager the fees described herein under “The Asset Manager’s Fees”.

The Trust may be considered to be a related issuer of the Asset Manager by virtue of the Asset Manager’s right, during the term of the Asset Management Agreement, to appoint a prescribed number of nominees to the Board of Trustees of the Trust as more particularly described below. The prescribed number of nominees that the Asset Manager is entitled to appoint varies depending on the size of the Board of Trustees, but the prescribed number exceeds 20% of the number of trustees. See “Item 2: Business of Centurion Financial Trust – 2.1 Structure – Trustees”.

The decision to offer the Units was made upon the recommendation of the Asset Manager. A portion of the proceeds of the Offering will be used by the Trust to pay the fees payable to the Asset Manager pursuant to the Asset Management Agreement as described above.

The Investment Advisor is an affiliate of the Asset Manager and is not owned by the Trust. Mr. Gregory Romundt is the President of each of these affiliated companies and Mr. Romundt and his family beneficially own all of the shares of each of these affiliated companies.

#### **TRUSTEES**

The Declaration of Trust provides that the assets and operations of the Trust will be subject to the control and authority of a minimum of five (5) and maximum of eleven (11) Trustees. The number of Trustees on the Board of Trustees may only be changed by the Unitholders or, if authorized by the Unitholders, by

the Trustees, provided that the Trustees may not, between meetings of the Unitholders, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third times the number of Trustees in office immediately following the last annual meeting of Unitholders. The Asset Manager is, during the term of the Asset Management Agreement, entitled to appoint two (2) Trustees (the “**Centurion Appointees**”) on a board of five (5) or six (6), three (3) Trustees on a board of seven (7) or eight (8), four (4) Trustees on a board of nine (9) or ten (10) and five (5) Trustees on a board of eleven (11). A vacancy occurring among the Trustees (other than a vacancy resulting from the resignation or removal of the Centurion Appointees) may be filled by resolution of the remaining Trustees as long as they constitute a quorum in accordance with the provisions of the Declaration of Trust. If there is not a quorum of Trustees, or if the vacancy has arisen from a failure by the Unitholders to elect the minimum number of Trustees required by the Declaration of Trust, the Trustees then in office may call a special meeting of Unitholders to fill the vacancy. A vacancy occurring among the Trustees resulting from the resignation or removal of the Centurion Appointees may be filled by an appointment by the Asset Manager. There are currently seven (7) Trustees, four (4) of whom are Independent Trustees.

The Declaration of Trust provides for the appointment by the Trustees of the Audit Committee (described below) and the Investment Committee. The Declaration of Trust contains additional provisions for the following with respect to Trustees:

- a majority of the Trustees must be Independent Trustees; and
- a Trustee, other than a Centurion Appointee, may be removed at any time with or without cause by a majority of the votes cast at a meeting of Unitholders or by written consent of Unitholders holding not less than a majority of the outstanding Units entitled to vote or with cause by a resolution passed by an affirmative vote of not less than two-thirds of the other Trustees.

Pursuant to the Declaration of Trust, each Trustee is required to exercise the powers and duties of his or her office honestly, in good faith with a view to the best interests of the Trust and the Unitholders and, in connection therewith, to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

#### **CONFLICT OF INTEREST RESTRICTIONS AND PROVISION**

The Declaration of Trust contains “conflict of interest” provisions that serve to protect Unitholders without creating undue limitation on the Trust. Given that the Trustees and senior officers of the Trust are engaged in a wide range of investment and other activities, the Declaration of Trust contains provisions that require if a Trustee or an officer of the Trust is a party to a Material Contract or transaction or proposed material contract or transaction with the Trust or its subsidiaries, or is a director or officer or employee of, or otherwise has a material interest in, any person who is a party to a Material Contract or transaction or proposed material contract or transaction with the Trust or its subsidiaries, such Trustee or officer of the Trust, as the case may be, shall disclose in writing to the Trustees or request to have entered in the minutes of meetings of Trustees or a committee of the Trustees, as the case may be, the nature and extent of such interest, and in the case of a Trustee, such Trustee shall abstain from voting on the resolutions relating to the proposed material contract or transaction.

#### **INDEPENDENT TRUSTEE MATTERS**

In addition to requiring the approval of a majority of the Trustees, the approval of not less than a majority of the Independent Trustees holding office at such time who have no interest in the matter (given by vote at a meeting of Trustees or by written consent) shall be required with respect to any decision regarding any of the following matters (the “**Independent Trustee Matters**”):

- an acquisition or disposition of an Investment, or other asset of the Trust, whether by co-investment or otherwise, in which a Related Party has any direct or indirect interest, other than Approved Warehouse Transactions;

- the entering into, waiver of, exercise of or enforcement of any right or remedies under any agreement entered into by the Trust, or the making, directly or indirectly, of any co-investment, with any Related Party or in which any Related Party has a material interest;
- the refinancing or renewal of any indebtedness owing by or to any Related Party or in which a Related Party has a material interest;
- the grant of options under any Unit option plan adopted by the Trustees;
- the grant of Units under any Unit purchase plan adopted by the Trustees;
- any change in the number of Trustees and the appointment of Trustees to fill any vacancies created by any increase in the number of Trustees;
- decisions relating to the compensation and remuneration of Trustees or of any employee of the Trust who is also an employee of a Related Party;
- decisions relating to any claim by or against any vendor of properties to the Trust, any debtor under a mortgage investment held by the Trust or any of the parties to the Material Contracts other than the Trust;
- the entering into of an arrangement in which a non-Independent Trustee or an officer of the Trust has a material interest; and
- the enforcement of any agreement entered into by the Trust with a non-Independent Trustee or an officer of the Trust, or an affiliate or associate of such party, including Centurion Apartment REIT and Centurion REOT.

#### AUDIT COMMITTEE

The Declaration of Trust requires the creation of an Audit Committee, consisting of at least three (3) Trustees, the majority of whom shall be Independent Trustees. The Audit Committee assists the Trustees in fulfilling their responsibilities of oversight and supervision of the Trust's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of its financial statements. In addition, the Audit Committee is responsible for directing the auditors' examination of specific areas, for the selection of the Trust's independent auditors and for the approval of all non-audit services for which the auditors may be engaged. All members of the Audit Committee must be financially literate within the meaning of applicable securities laws.

The Audit Committee is responsible for monitoring compliance with a Code of Conduct and Ethical Behaviour adopted by the Trustees and for establishing a procedure for the anonymous and confidential receipt and treatment of concerns or complaints received regarding accounting and related financial reporting matters (a “**whistle blowing**” procedure).

The auditors are entitled to receive notice of every meeting of the Audit Committee and, at the expense of the Trust, to attend and be heard thereat and, if so requested by a member of the Audit Committee, shall attend any meeting of the Audit Committee held during the term of office of the auditors. Questions arising at any meeting of the Audit Committee shall be decided by a majority of the votes cast. Decisions may be taken by written consent signed by all of the Independent Trustees who are members of the Audit Committee. The auditors or a member of the Audit Committee may call a meeting of the Audit Committee on not less than 48 hours' notice.

The Audit Committee is made up of the following individuals:

- Graham McDonald McBride, Chairperson
- Donna Margaret Parr, Member

- Ansil Kenneth Miller, Member

#### INVESTMENT COMMITTEE

The Declaration of Trust requires the creation of an Investment Committee for the Trust to be established by the Board of Trustees to:

- (a) review, approve and make Investments on behalf of the Trust that:
  - (i) fall within the Investment Guidelines of the Trust; and
  - (ii) are below the prescribed limits (the “**sub limits**”) set by the Board of Trustees from time to time; and
- (b) pre-screen potential Investments that are above the sub limits; and
- (c) recommend or refer Investments to the Board of Trustees for their consideration.

As at the date hereof, the Investment Committee is authorized to approve individual Investments up to an amount equal to the lesser of 5% of the Fair Market Value of the Trust or \$5 million that fit within the Investment Guidelines. The sub limits to which the Investment Committee is subject are reviewed periodically by the Board of Trustees and may be increased or decreased by the Trustees at their discretion from time to time.

The Chairperson must be independent of the Asset Manager and may be either an Independent Trustee or an appointee of the Independent Trustees who is independent of the Asset Manager. The Chairperson has the discretion to (i) approve an investment within the sub limits of the Investment Committee, (ii) recommend or refer an investment that is above the sub limits to the Board of Trustees, or (iii) refer an investment that is within the sub limits of the Investment Committee to the Board of Trustees for their approval. An investment that does not have the approval of the Chairperson must have the approval of the Board of Trustees to proceed. In effect, any investment brought to the Investment Committee must have the approval of the Chairperson, who is independent of the Asset Manager, to proceed, otherwise such investment must be approved by the Board of Trustees.

All investments approved by the Investment Committee will be reviewed by the Board of Trustees at a subsequent Board of Trustees meeting.

The Investment Committee evaluates the possible risks assumed by the Trust for different types of Investment transactions. It is also responsible for making final decisions on the use of funds within the sub limits as determined by the Board of Trustees, although the Investment Committee may refer Investments within the sub limits to the Board of Trustees for their approval. The sub limits set by the Board of Trustees from time to time may include such restrictions as the Trustees determine, including, but not limited to, restrictions as to the investment type, investment sector and geography. The Investment Committee has the authority to make a final decision on approval or rejection of proposed transactions as well as to establish, subject to the investment guidelines, further risk limits or investment criteria within the sub limits set by the Board of Trustees.

The minimum number of Investment Committee members is one independent member. There is no maximum number of Investment Committee members and the membership will be determined from time to time by the Trustees.

The Investment Committee is made up of the following individuals:

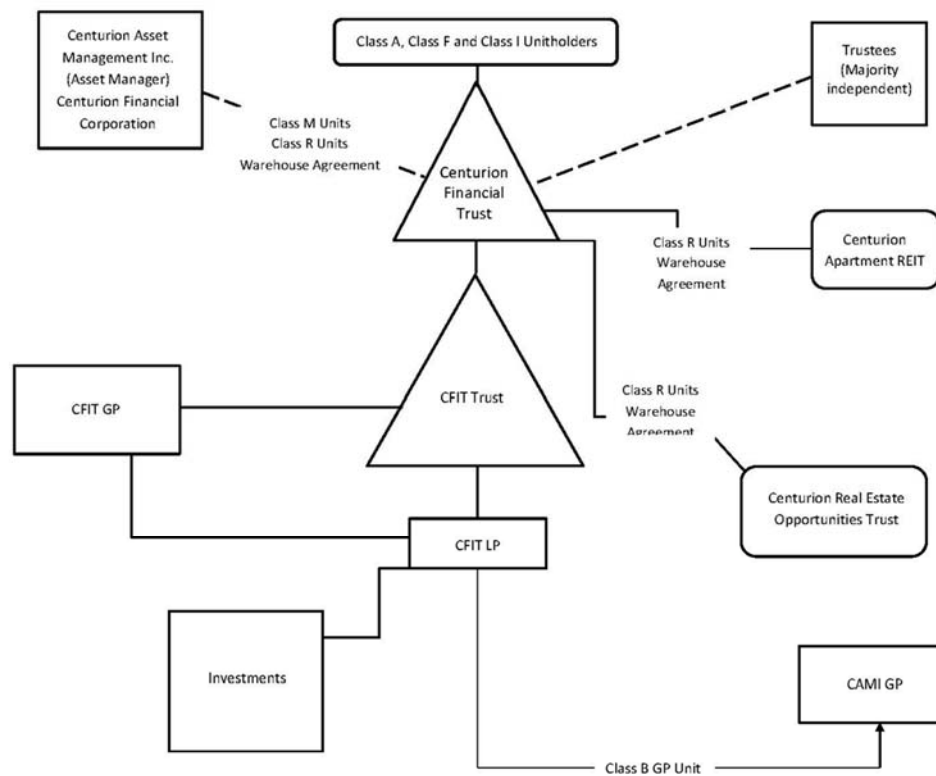
- Gregory Gunter Romundt, Member
- Stephen Douglas Stewart, Member
- Daryl Wilson Boyce, Member
- Dan Kashvin, Member
- Ansil Kenneth Miller, Chairperson
- Graham McDonald McBride, Donna Margaret Parr, Michael Gerard LeClair, Rotating Members

#### ADDITIONAL COMMITTEES

The Declaration of Trust provides that the Trustees may create such Additional Committees as they, in their discretion, determine to be necessary or desirable for the purposes of properly governing the affairs of the Trust, provided that the Trustees may not delegate to any committee any powers or authority in respect of which a board of directors of a corporation governed by the *Canada Business Corporations Act* may not so delegate.

#### CENTURION FINANCIAL TRUST OPERATING STRUCTURE

The following diagram sets forth the current principal operating structure of the Trust.



The Trust owns all of the units of the CFIT, an unincorporated trust governed by the laws of the Province of Ontario. In addition to making investments indirectly through CFIT and CFIT LP, the Trust may make any investments directly or indirectly through another entity or structure that holds such investments and to which the Trust obtains exposure.



## **THE MANAGEMENT TEAM**

The management team of the Trust is comprised of:

- Gregory Gunter Romundt, President and Trustee
- Robert Kennedy Orr, Chief Financial Officer (CFO) and Chief Compliance Officer (CCO)
- Daryl Wilson Boyce, Vice President of Corporate Finance and Trustee
- Stephen Douglas Stewart, Vice President of Mortgage Investments and Joint Ventures and Trustee
- Dino Fracassi, Director, Corporate Finance
- Dan Kashvin, Director, Investments

Certain members of the management team hold similar roles with Centurion Apartment REIT and/or Centurion REOT.

## **THE ASSET MANAGER**

The Asset Manager is a corporation existing under the laws of the Province of Ontario and is engaged for the purpose of providing advisory services in respect of the Focus Activities of the Trust as more particularly described below. It is registered as an exempt market dealer, investment fund manager, and a restricted portfolio manager in certain jurisdictions in Canada. The Asset Manager provides services to the Trust pursuant to the Asset Management Agreement for a term expiring on December 31, 2026. The Asset Management Agreement will automatically renew for a further five-year term unless terminated by the Trust or the Asset Manager. The Asset Management Agreement may be terminated at any time by the Trust in the event of a material default by the Asset Manager thereunder; a material default by any of the non-Independent Trustees, or in the event of insolvency occurring with respect to the Asset Manager. The Asset Management Agreement may be terminated by the Asset Manager on 60 days' notice to the Trust as a result of a material breach by the Trust, or an event of insolvency with respect to the Trust.

The director and senior officer of the Asset Manager has been involved in a broad range of lending and/or investment management activities over the past five years. The name and municipality of residence, office held with the Asset Manager and principal occupation of the director and senior officer of the Asset Manager are as follows:

- Gregory Romundt, Toronto, President of the Asset Manager

## **THE ASSET MANAGER'S DUTIES**

Among other duties, the Asset Manager is responsible for: identifying investment opportunities that meet the Investment Guidelines set out in the Declaration of Trust; providing the Investment Committee and Trustees with information and advice relating to proposed investments, acquisitions, dispositions and financings; supervising the due diligence required in connection with proposed investments and supervising the completion of any resulting transactions; and directing and supervising the Investment Advisor. Unless otherwise determined by the Trustees, the Asset Manager has the authority to approve any single investment of up to \$1 million by the Trust, provided such investment is otherwise within the Investment Guidelines.

## **THE ASSET MANAGER'S FEES**

In lieu of performance incentive fees typically associated with an asset management agreement that typically range between 20% and 50% of profits, the Asset Manager is entitled to a non-diluting 5% interest in the Trust's cash distributions and an equity interest in the net assets of the Trust attributable to

the Investor Units (through its ownership of the Class M Units). The Asset Manager is not required to contribute additional capital beyond its initial \$500,000 subscription for Class M Units. As such, the Asset Manager's interests are strongly aligned with the interest of all Unitholders. See "Item 5: Securities Offered – 5.1 Terms of Securities".

In addition, the Asset Manager is entitled to an acquisition fee or sourcing fee of 1.0% of the purchase price of any Investments bought by, or on behalf of, the Trust, provided that where the Asset Manager or an affiliate of the Asset Manager receives an acquisition, sourcing or like fee directly from the vendor or counterparty, the Asset Manager shall only receive an acquisition or sourcing fee from the Trust to the extent such other acquisition, sourcing or like fee was less than 1.0% of the purchase price and in any such cases only to the extent of the differential (if any). Further, the Asset Manager is entitled to an acquisition fee or sourcing fee of 1.0% of the principal amount of any mortgage investment acquired by the Trust, provided that where the Asset Manager or an affiliate of the Asset Manager receives an acquisition, sourcing or like fee directly from the borrower or counterparty, the Asset Manager shall only receive an acquisition fee or sourcing fee from the Trust to the extent such other acquisition, sourcing or like fee was less than 1.0% of the purchase price and in any such cases only to the extent of the differential (if any). The Asset Manager or an affiliate of the Asset Manager will be entitled to keep any borrower or counterparty paid fees on all committed investments made by the Trust.

If and to the extent that the Asset Manager or any person affiliated with the Asset Manager renders services to the Trust in addition to those specifically required to be rendered under the Asset Management Agreement, such services will be compensated separately as agreed to by the Independent Trustees on the basis of fees which are at least as favourable to the Trust as those then generally charged for comparable services and activities.

#### **THE INVESTMENT ADVISOR**

The Investment Advisor is a corporation existing under the laws of the Province of Ontario. The Investment Advisor is an affiliate of the Asset Manager. The role of the Investment Advisor is to, on behalf of the Asset Manager, source Investment opportunities for the Trust and service Investments other than Mortgage Assets that require a licensed mortgage administrator. The Investment Advisor does not charge a fee to the Trust for any of these activities but will be compensated by the Asset Manager. Senior management of the Investment Advisor includes Gregory Romundt and Daryl W. Boyce. See "Item 2: Business of Centurion Financial Trust – 2.1 Structure – Management of Centurion Financial Trust".

#### **THE MORTGAGE SERVICER**

The Mortgage Servicer is a Corporation governed by the laws of the Province of Ontario. It is registered as a mortgage administrator with the Financial Services Commission of Ontario (License #12390). The Mortgage Servicer is an affiliate of the Asset Manager. The role of the Mortgage Servicer is to, where required, collect mortgage payments and conduct any enforcement activities on behalf of the Trust where a licensed third party mortgage administrator is not already providing such services. The Mortgage Servicer does not charge a fee to the Trust for any of these services but will be compensated by the Asset Manager. Where there are third parties servicing mortgages of the Trust that charge fees, these fees will be paid by the Trust and the Mortgage Servicer will not charge any markup on these fees if so incurred. Senior management of the Mortgage Servicer includes Gregory Romundt and Stephen Stewart.

## **2.2 Our Business**

The Trust is an unincorporated investment trust created by declaration of trust made as of January 3, 2017, as amended and restated on January 16, 2017 (the "**Declaration of Trust**") and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. See "Item 5: Securities Offered – 5.1 Terms of Securities".

## INVESTMENT GUIDELINES AND OPERATING POLICIES

The Declaration of Trust contains investment guidelines and operating policies. The investment guidelines include, among other things, criteria with respect to the types of investments that the Trust can acquire and certain other parameters regarding the Trust's investment activities. The operating policies address, among other things, the maximum level of the Trust's debt and the requirements for investment analysis, security, appraisals, insurance coverage, environmental audits and due diligence. The investment guidelines and certain of the operating policies may only be changed upon the approval of a two-thirds majority of the votes cast by Unitholders at a meeting called for such purpose. The remaining operating policies may be changed upon the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

### **Investment Guidelines**

The assets of the Trust may be invested only, and the Trust shall not permit the assets of any subsidiary to be invested otherwise, than in accordance with the following investment guidelines (as more particularly set out in the Declaration of Trust):

- (a) the Trust shall focus its activities primarily on Focus Activities;
- (b) notwithstanding anything in the Declaration of Trust to the contrary, no investment shall be made that would result in:
  - i. Units of the Trust being disqualified for any class of any trust governed by a Registered Plan; or
  - ii. the Trust ceasing to qualify as a "mutual fund trust" for purposes of the Tax Act;
- (c) no single asset (except as may otherwise be provided for in the Declaration of Trust), (i) once the Trust has net assets that exceed \$100 million, shall be acquired if the cost of such acquisition (net of the amount of debt secured by such asset, if applicable) will exceed 15% of Gross Book Value, and (ii) until such time that the Trust has net assets that exceed \$100 million, no single asset shall be acquired if the cost of such acquisition (net of the amount of debt secured by such asset and any transaction expenses, if applicable) will exceed \$15 million;
- (d) the Trust may provide financing solutions for individuals and small and medium sized companies. Such financing solutions may include, but are not limited to the following:
  - i. Financing solutions for business growth, expansions and acquisitions; management and/or shareholder buyouts and refinancing;
  - ii. Bridge financing of visible credit raising activities and/or events;
  - iii. Project financing, real estate financing, real estate development financing, contract financing and equipment financing;
  - iv. Accounts receivable financing or factoring, inventory financing and trade financing; and
  - v. Leasing, intellectual property monetization, royalties and securitizations.
- (e) the Trust may provide financing solutions through any conventional or unconventional financing structures including, but not limited to, senior secured term loans, asset backed loans, bridge

loans, subordinated loans, mezzanine loans, syndicated loans, preferred shares, royalties, equipment financing arrangements, inventory financing arrangements, factored accounts receivable, conventional and unconventional mortgages, convertible debentures, equity securities, securitizations, and other equity interests or participations;

- (f) Investments may only be made in a joint arrangement if:
- i. the arrangement is in connection with a Focus Activity;
  - ii. the arrangement is with others ("**joint arrangement partners**") either directly or through the ownership of securities of or an interest in an entity ("**joint arrangement entity**");
  - iii. the interest in the joint arrangement entity is not subject to any restriction on transfer other than a right of first refusal, right of first offer or similar events, if any, in favour of the joint arrangement partners;
  - iv. the Trust has the ability to provide input in the management decisions of the joint arrangement entity; and
  - v. without limitation, any joint arrangement with a Related Party for the purposes of the related party provisions of the Declaration of Trust has been entered into in accordance with such provisions;

- (g) conventional mortgage investments may only be made where:

- i. the security thereof is real property;
- ii. the security interest includes a mortgage or similar security interest registered on title to the real property which is the security thereof; and
- iii. the amount of the mortgage investment (not including any mortgage insurance fees incurred in connection therewith) does not exceed 85% of the market value of the real property that is the security thereof;

provided that nothing herein shall restrict the Trust from making a non-mortgage investment, directly or indirectly, where a portion of the collateral for such investment includes a security interest registered on title to real property;

- (h) Notwithstanding any other provisions of Section 4.1 of the Declaration of Trust (Investment Guidelines), the Trust may invest, either directly or indirectly, in the equity of real estate development projects and opportunities and structure the transaction as a mortgage loan or note which will not be subject to the loan to value limits in Section 4.1 of the Declaration of Trust (Investment Guidelines) ("**unconventional mortgages**");
- (i) the Trust may invest in conventional and unconventional mortgages of related entities that do not deal at arm's length to the Trust provided that:
- i. the mortgage loan bears interest at a commercial rate of interest;
  - ii. the amount of the mortgage loan is not in excess of 90% of the selling price of the property securing the mortgage;

- iii. the mortgage loan has a maturity not exceeding five years;
  - iv. the mortgage loan is approved by the Independent Trustees; and
  - v. the aggregate value of mortgage loans with related entities that do not deal at arm's length to the Trust, after giving effect to the proposed investment, will not exceed 15% of Gross Book Value of the Trust calculated at the time of such investment;
- (j) notwithstanding any other provisions of Section 4.1 of the Declaration of Trust (Investment Guidelines), for risk management purposes only, the Trust may increase a given investment to more than the limits referred to in (c) above in order to remedy the default by a borrower/counterparty of its obligations in respect of a prior ranking security interest or satisfy the indebtedness secured by a prior ranking security interest or for any other reason if such action is required to, in the opinion of the Trustees, protect the Trust's investment and if such proposed increase in the Trust's investment is approved by Trustees;
  - (k) notwithstanding any other provisions of Section 4.1 of the Declaration of Trust (Investment Guidelines), the Trust may participate in an investment on a syndication basis, subject to the approval by the Trustees of the investment amount and the proposed syndication partners;
  - (l) notwithstanding any other provisions of Section 4.1 of the Declaration of Trust (Investment Guidelines), the Trust may acquire investments (or exposure to investments) through Approved Warehouse Transactions;
  - (m) the Trust shall not enter into any arrangement (including the acquisition of securities for the investment portfolio of the Trust) where the result is a "dividend rental arrangement" for the purposes of the Tax Act;
  - (n) the Trust shall not engage in securities lending that does not constitute a "securities lending arrangement" for purposes of the Tax Act;
  - (o) the Trust shall not invest in any security that would be a "tax shelter investment" within the meaning of the Tax Act;
  - (p) notwithstanding any other provisions of the Declaration of Trust, the Trust shall not acquire any securities unless the Trust has appointed a service provider that has the necessary registrations under applicable securities laws to permit the Trust to purchase and hold such securities or is exempt from any such registration requirements;
  - (q) notwithstanding any other provisions of the Declaration of Trust, the Trust may hold units or other securities of (i) Centurion Apartment REIT, Centurion REOT and any other pooled investment vehicle for which the Asset Manager (or an affiliate of the Asset Manager) acts as an adviser and (ii) any other mortgage investment corporation, mortgage investment trust, real estate investment trust, alternative credit investment entity or similar entity; and
  - (r) notwithstanding any other provisions of the Declaration of Trust, the Trust may make temporary investments held in cash, deposits with a Canadian or U.S. chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or in money market instruments of, or guaranteed by, a Canadian Schedule I bank maturing prior to one year from the date of issue.

For the purpose of the foregoing guidelines, the assets, liabilities and transactions of a corporation, trust or other entity wholly or partially owned by the Trust will be deemed to be those of the Trust on a proportionate consolidation basis. Except as specifically set forth in the Declaration of Trust to the contrary, all of the foregoing prohibitions, limitations or requirements for investment shall be determined as at the date of investment by the Trust, but always subject to (a) above.

For greater certainty, the above Investment Guidelines are intended to set out generally the parameters under which subsidiaries or affiliates in which the Trust is permitted to invest will be empowered under their respective constating documents to re-invest. References to the Trust in those paragraphs shall be read as applying to such subsidiary or affiliate where the actual activity that is the subject of the policy is carried on by such subsidiary or affiliate. The Trust will take all commercially reasonable actions required to ensure that all of its subsidiaries and affiliates operate in accordance with the above Investment Guidelines. Further, any determinations in respect of the investment restrictions that are determinations reserved to the Trustees, where the actual activity is carried on by a subsidiary or an affiliate, will be made by the trustees or directors of the relevant subsidiary or affiliates. Nothing in the Investment Guidelines empowers or entitles the Trust or the Trustees to carry on business or to otherwise undertake any activity that would violate the Trust's requirement to maintain its status as a "mutual fund trust" under the Tax Act.

### **Operating Policies**

The operations and affairs of the Trust will be conducted in accordance with the following operating policies and the Trust shall not permit any subsidiary or affiliate to conduct its operations and affairs other than in accordance with the following policies:

- (a) each Investment shall be held by and registered in the name of a corporation or other entity wholly-owned directly or indirectly by the Trust or, where applicable, jointly owned directly or indirectly by the Trust with joint arrangement partners (if any), provided that Investments may also be registered in the name of a service provider to the Trust as a nominee of the Trust;
- (b) title to each real property for a mortgage investment shall be held by and registered in the name of a corporation or other entity wholly-owned directly or indirectly by the Trust or jointly owned, directly or indirectly, by the Trust with joint arrangement partner; provided, that where land tenure will not provide fee simple title, (i) a corporation or other entity wholly-owned, directly or indirectly, by the Trust or jointly owned, directly or indirectly, by the Trust with joint arrangement partners, or (ii) by a service provider to the Trust as a nominee of the Trust, shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;
- (c) no indebtedness shall be incurred or assumed if, after giving effect to the incurring or assumption thereof of the indebtedness, the total indebtedness as a percentage of Gross Book Value would be more than 75% for indebtedness, including amounts drawn under an acquisition facility, provided that for the purposes of the foregoing, indebtedness shall exclude any obligations of the Trust under or arising out of Approved Warehouse Transactions (including any obligations to purchase any warehoused investments on demand);
- (d) subject to the approval of the Trustees, the Trust may, directly or indirectly, guarantee any indebtedness, liabilities or other obligations of any kind of a third party, where such indebtedness, liabilities or other obligation, if granted, incurred or assumed by the Trust

directly, would not cause the Trust to otherwise contravene the restrictions set out in the Investment Guidelines described above.

- (e) in accordance with the Declaration of Trust, the Trust shall form the Investment Committee, which Investment Committee shall have the rights and responsibilities set out the Declaration Trust, as described under “Item 2: Business of Centurion Financial Trust – 2.1 Structure – Investment Committee”; and
- (f) the Trust may engage service providers, including asset managers, investment advisors, investment dealers and mortgage managers under terms and conditions acceptable to the Trustees. As at the date hereof, the Trust has engaged CAMI by the terms of the Trust Asset Management Agreement, which agreement shall remain in full force and effect until terminated by a party thereto in accordance with its terms.

For greater certainty, the operating policies above are intended to set out generally the parameters under which the Trust (and subsidiaries and affiliates in which the Trust is permitted to invest) will operate. References to the Trust in those paragraphs shall be read as applying to the subsidiary or affiliate that actually carries on the activity that is the subject of the policy on behalf of the Trust (with the exception of (c) which is only intended to apply to the Trust). Further, any determinations in respect of the operating policies that are determinations reserved to the Trustees, where the actual activity is carried on by a subsidiary, will be made by the trustees or directors of the relevant subsidiary. Nothing in the above operating policies empowers or entitles the Trust or the Trustees to carry on business or otherwise undertake any activity that would violate the Trust’s requirement to maintain its status as a “mutual fund trust” under the Tax Act.

For the purposes of the foregoing investment guidelines and operating policies, the assets, indebtedness, liabilities and transactions of a corporation, partnership or other entity wholly or partially owned by the Trust will be deemed to be those of the Trust on a proportionate, consolidated basis. In addition, any references in the foregoing investment guidelines and operating policies to investment in real property will be deemed to include an investment in a joint arrangement. A “**joint arrangement**” means an arrangement through which two or more parties have joint control that has the following characteristics: (a) the parties to the arrangement are bound by a contractual agreement, (b) the contractual agreement gives two or more of those parties joint control of the arrangement, and (c) is either a joint operation or a joint venture.

In addition, the term “**indebtedness**” means (without duplication):

- i. any obligation of the Trust for borrowed money;
- ii. any obligation of the Trust incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;
- iii. any obligation of the Trust issued or assumed as the deferred purchase price of property;
- iv. any capital lease obligation of the Trust; and
- v. any obligation of the type referred to in clauses (i) through (iv) of another person, the payment of which the Trust has guaranteed or for which the Trust is responsible for or liable;

provided that (A) for the purposes of (i) through (iv), an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the Trust in accordance with generally accepted accounting principles; (B) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the

ordinary course of business, and (C) indebtedness shall exclude any obligations of the Trust under or arising out of Approved Warehouse Transactions (including any obligations to purchase mortgage or other investments on demand).

### **Investment Committee**

The Trust will establish an Investment Committee to review, approve and make investments that are in accordance with the Trust's investment guidelines. The Investment Committee Charter is outlined below:

#### **Section 1 Purpose.**

The Investment Committee (the "**Committee**") is a committee of the Trust established by the Board of Trustees of the Trust. The Board of Trustees established the Investment Committee to:

- Review, approve and make investment decisions on behalf of the Trust that:
  - fall within the Investment Guidelines of the Trust, as set out in the Declaration of Trust; and
  - fall within the prescribed limits (the "**sub limits**") set by the Board of Trustees from time to time; and
- Pre-screen potential Investments that exceed the sub limits;
- Recommend or refer Investments exceeding the sub limits to the Board of Trustees for their consideration; and
- Review and approve minor amendments to Investments previously approved by the Board of Trustees, subject to limits described below.

#### **Section 2 Sub Limits.**

The Investment Committee shall be authorized to approve any individual Investment that fits within the criteria established by the sub limits.

The sub limits for each Investment are:

- Such Investment must have a purchase price equal to the lesser of (i) 5% of the Fair Market Value of the Trust or (ii) \$5 million;
- Such investment complies with the Investment Guidelines of the Trust.

The Investment Committee shall be authorized, in respect of Investments not exceeding the sub limits before or after amendment, to approve any required minor amendments as necessary, and in respect of Investments exceeding the sub limits before or after amendment, to approve any required minor amendments thereto, subject to the following limits:

- Amendments to the Investment size of up to \$1 million, including additional principal and/or interest capitalization;
- Amendments to Investment term of up to 12 months;
- Amendments to interest rate of up to 100 basis points;
- Amendments to security considered minor, substituting collateral in a non-material way; changing guarantees in a non-material way;
- Amending conditions, including reporting conditions, and/or conditions precedent to funding in a non-material way; and
- Amending the capital stock provided the Trust's exposure remains substantially the same.

Any such amendment approved by the Investment Committee shall require ratification by the Board of Trustees at the next following meeting.



The Asset Manager shall be authorized to approve any individual investment with a purchase price of \$1 million or less that fits within the investment guidelines of the Trust, subject to ratification by the Investment Committee at the next following meeting of the Investment Committee.

The Asset Manager shall be authorized to approve amendments of the following nature to approved investments:

- Amendments to the investment size of up to \$250,000, including additional principal and/or interest capitalization;
- Amendments to investment term of up to 6 months;
- Amendments to interest rate of up to 25 basis points.

Any such amendments to investments approved by the Asset Manager shall require ratification by the Investment Committee at the next following meeting.

### Section 3            Composition and Meetings.

The Investment Committee shall be composed of, at a minimum, at least one Trustee that is an Independent Trustee or a delegate chosen by a majority of the Independent Trustees that is independent of the Trust and CAMI (or its successor) and such Independent Trustee or delegate thereof shall be the chairperson of the Investment Committee (the “**Chairperson**”).

There shall be no maximum number of members of the Investment Committee in addition to the Chairperson.

No business of the Investment Committee may be transacted except at a meeting of its members at which the Chairperson is present or by a resolution in writing signed by the Chairperson. The Chairperson shall constitute a quorum of the Investment Committee, provided that Chairperson will take reasonable efforts to allow other members of the Investment Committee the opportunity to attend meetings of the Investment Committee

The Chairperson may be removed or replaced at any time by a majority of the Independent Trustees and shall cease to be a member of the Committee upon ceasing to be a trustee.

Any member of the Investment Committee may be removed or replaced at any time by the Chairperson. Each member of the Investment Committee shall hold such office until he or she resigns or is removed from the Investment Committee.

The Committee will meet as many times as is necessary to carry out its responsibilities.

Meetings will be at the call of the Trustees, the Asset Manager, the Chairperson or any other member of the Investment Committee.

The Chairperson shall be entitled to receive such remuneration for acting as the chairperson of the Committee as the Board of Trustees may from time to time determine.

### Section 4            Chairperson.

a)        The Chairperson has the discretion to:

- (i)        approve an investment within the sub limits of the Investment Committee;
- (ii)      recommend or refer an investment that is above the sub limits to the Board of Trustees;

- (iii) refer an investment that is within the sub limits of the Investment Committee to the Trustees for their approval.
- b) An investment that does not have the approval of the Chairperson must have the approval of the Trustees to proceed.

Section 5 General Role.  
The Committee should:

- Review the investments of the Trust to ensure that such investments comply with the Investment Guidelines of the Trust;
- Review this Charter and the sub limits and recommend to the Board of Trustees changes to this Charter and/or the sub limits, as considered appropriate from time to time;
- Report to the Board of Trustees on:
  - the business conducted at meetings of the Committee and any material decision reached by the Committee; and
  - the investments of the Trust.

Section 6 General.

- a) Notwithstanding the appointment of the Committee and the granting of any authority, the Trustees may consider and approve or disapprove any matter which the Committee has the authority to consider or approve.
- b) The Committee is a committee of the Board of Trustees and it is not and shall not be deemed to be an agent of the Trust's Unitholders for any purpose whatsoever. The Board of Trustees may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively. No provision contained herein is intended to give rise to civil liability to security holders of the Trust or any other liability whatsoever.
- c) The duties of the Committee may be changed from time to time by the Trustees and shall be subject to such authority as may be delegated from time to time to officers of the Trust without requiring the approval of or review by the Trustees or the Committee.

## **2.3 Development of Our Business**

### **BACKGROUND OF CENTURION FINANCIAL TRUST**

The Asset Manager manages a diversified portfolio of income producing multi-unit residential properties, student housing and mortgages and real estate developments in Canada. Its mortgage investment portfolio is primarily made up of loans to real estate borrowers and/or properties that may not otherwise qualify for a loan from major bank lenders. With tightening regulations, the major banks have less appetite and capability to meet the needs of an increasing number of borrowers. These tightening lending standards extend beyond real estate and are particularly acute for small and medium sized corporate borrowers.

The Asset Manager, in surveying the lending landscape, concluded that the market for alternative credit is highly fractured. Most lenders tend to specialize in a singular structure, for example, in real estate loans, factoring, royalties, mezzanine debt, junior debt or other specific niches. This has meant that borrowers have had to find a capital provider that can work with their needs that fits the particular niche of the capital provider. In other words, borrowers have to accept a capital solution that fit their lender as opposed to the lender meeting the needs of the borrower. The core need of borrowers is for an alternative

to the bank, not beholden to a particular structure. The Asset Manager believes that not only is there demand from borrowers for a needs-based diversified alternative to bank loans, but that there is demand from investors for a diversified portfolio of alternative credit investments.

Rather than seeking to broaden the mandate of its existing mortgage fund to include corporate credit, the Asset Manager determined that its preferred course to pursue a more broadly diversified alternative credit mandate was to hire an experienced corporate credit team to support the mandate and to launch Centurion Financial Trust.

Management has identified an inefficient market and the need for private debt solutions and opportunities for small and medium sized corporations in North America that are under-served by traditional lending providers due to capital and increased regulatory constraints. As outlined in a July 23, 2015 report from Deloitte – Financing the Economy 2016, alternative lenders have stepped into providing companies and private equity sponsors with debt offerings as banks adjust their lending strategies in light of Basel III capital requirements.

The Trust will provide financing solutions for a range of purposes including, but not limited to, business growth and expansion, acquisitions, management of shareholder buyouts and refinancings to small and medium companies in addition to mortgage loans and opportunistic real estate investments.

In addition to the above, bridge financings of viable capital raising activities and events, project finance, contract finance, equipment finance and accounts receivable or factoring may all be financing solutions that the Trust will provide.

Management believes that Centurion Financial Trust will be able to take advantage of this inefficient market and provide alternative credit solutions to a variety of borrowers. Through the application of good credit acumen and extensive due diligence, Centurion Financial Trust will provide risk mitigated lending solutions to borrowers that are appropriately structured and priced to meet the Trust's intended returns.

## **2.4 Long Term Objectives**

The long-term (ongoing) objectives of the Trust are to provide Unitholders with income (payable monthly) and capital growth from a diversified portfolio of a broad mix of Investments made to companies and individuals based primarily in Canada and the United States that need flexible solutions and are underserved by traditional financial institutions. In order for the Trust to accomplish its long-term objectives, the following must occur:

- (a) the Trust must complete its short-term objectives described under “2.5 Short Term Objectives and How We Intend to Achieve Them” below; and
- (b) Management, the Asset Manager and the Investment Advisor must prudently manage the affairs of the Trust and the Portfolio on an ongoing basis.

## **MANAGEMENT AND INVESTMENT STRATEGY**

The management of the Trust and the personnel of the Asset Manager have significant experience in originating, underwriting and adjudicating mortgage loans, real estate development investments, business loans, alternative credit investments, and other Investments. Such individuals have broad referral relationships to originate a wide variety of investments opportunities for the Trust.

## **CONFLICTS OF INTEREST AND ALLOCATION OF INVESTMENT OPPORTUNITIES**

Centurion Apartment REIT, Centurion REOT and the Trust each operate independently from one another and have separate boards of trustees, with Mr. Gregory Romundt serving as a trustee for each of the

Trusts. Although Mr. Kenneth Miller serves as a trustee of both Centurion REOT and the Trust, he is otherwise independent of the Asset Manager and its affiliates. The Declaration of Trust contains “conflict of interest” provisions requiring Trustees to disclose material interests in Material Contracts and transactions and to refrain from voting thereon. Where there is a material risk of damage to the Trust arising from any conflict of interest, this conflict will be managed to prevent the conflict from adversely affecting the interests of the Trust, including by reference to the Independent Trustees.

#### WAREHOUSE AGREEMENTS

The Trust has entered into three Warehouse Agreements, pursuant to which each of Centurion Apartment REIT, Centurion REOT, and Centurion Asset Management Inc. (each, a “**Warehouse Lender**”) has entered into an agreement to potentially fund (purchase) and warehouse certain Investments originated by (or on behalf of) the Trust (the “**Warehoused Investments**”). Each Warehouse Agreement (i) provides the Trust with a non-committed funding facility to fund certain Investments originated and placed directly or indirectly by, or on behalf of, the Trust, provided such Investments comply with the investment guidelines of the Warehouse Lender, if applicable, (ii) provides that the applicable Warehouse Lender is the beneficial owner of any Warehoused Investments with all returns flowing to the applicable Warehouse Lender, and (iii) grants the Trust an option to repurchase Warehoused Investments funded (purchased) under the Warehouse Agreement at any time by payment with cash or class “R” units of the respective Warehouse Lender, if applicable. The purchase price for the Warehoused Investments will be the outstanding principal balance owing to the applicable Warehouse Lender in respect of each Warehoused Investment, plus all interest attributable accrued and unpaid on such Warehoused Investment calculated as at the time of the purchase, or determined on a case-by-case basis at the time the Investment is warehoused, depending on the nature of the Warehoused Investment in each case, as the Trust and the Warehouse Lender may agree.

Each Warehouse Agreement also provides the applicable Warehouse Lender with an option to sell any Warehoused Investments to the Trust (i) on 180 days’ prior notice for any Warehoused Investments that remain in good standing, (ii) immediately (within three (3) Business Day) for any Warehoused Investments that have been noted in default or that have otherwise experienced a negative credit or other event, as set out in the Warehouse Agreement, or (iii) on thirty (30) days’ prior notice where the Trust has provided a notice to terminate the Warehouse Agreement.

Each Warehouse Agreement requires, unless otherwise agreed by the Trust and the applicable Warehouse Lender, that the Warehoused Investments other than any units of Centurion Apartment REIT or Centurion REOT funded or purchased by the applicable Warehouse Lender be purchased by the Trust on a “first in, first out” basis.

The Trust expects to make use of the facility under the Warehouse Agreements to fund certain Investments in order to (i) permit the continuous deployment of capital and (ii) avoid a reduction of returns associated with delays in the deployment of equity capital that needs to be raised to fund Investments. None of the Warehouse Lenders are required to fund (purchase) any Investments pursuant to the applicable Warehouse Agreement and has made no commitments to do so. Any funding decision of Centurion Apartment REIT and Centurion REOT is made independent of the Trust by the independent trustees of Centurion Apartment REIT or Centurion REOT, provided that the independent trustees of each of Centurion Apartment REIT and Centurion REOT may set parameters pursuant to which such funding decisions are delegated to the Asset Manager (or any successor asset manager of Centurion Apartment REIT and Centurion REOT). Any Warehoused Investments that are funded (purchased) by CAMI pursuant to its Warehouse Agreement with the Trust must be approved by the Investment Committee.

Centurion Apartment REIT has the option to require that the Trust pay the acquisition cost of any Warehoused Investments in additional Class R Units rather than in cash, or to satisfy the purchase price

of a Property Offer Option (as defined in its Warehouse Agreement with the Trust) and any underlying Investments relating thereto through the redemption of Class R Units.

#### **TARGETED INVESTMENTS**

The Trust currently intends to provide a diversified portfolio of a broad mix of Investments made to companies and individuals based primarily in Canada and the United States that need flexible financing solutions. The Trust is not restricted in the types of Investments that it may hold and intends to be opportunistic when selecting Investments, however, the Trust currently expects to target the following type of Investments for inclusion in its investment portfolio:

- Senior secured credit facilities
- Subordinated or mezzanine credit facilities
- Mortgage investments
- Multi-residential apartment and student housing developments
- Developer and builder pre-construction loans
- Other growth-oriented real estate opportunities

Description of each of the current investment targets follows:

#### **SENIOR SECURED CREDIT FACILITIES**

The conventional sources for senior secured credit facilities for small and medium sized companies include Commercial Banks, Commercial Finance Companies (“CFC”) and Asset Based Lenders (“ABL’s”). As a result of increased regulatory constraints (e.g. Basel III), the Asset Manager believes credit appetites have restricted the availability of financing from Commercial Banks. The Asset Manager further believes that a large number of small and medium sized corporations are seeking an alternative financing provider that goes beyond the structured lending approach often employed by CFC’s and ABL’s.

The Asset Manager believes there is a market need for an alternative financing service that offers financing solutions based on borrower’s needs rather than fitting borrowers into pre-set lending structures, with many of the CFC or ABL structures based solely on the value of a particular asset rather than an understanding of the business and its prospects. In addressing the market need within the Trust, the Asset Manager recruited an experienced team of senior commercial lenders that have a track record of developing a deep level of understanding of companies and their management and designing financing solutions that are appropriately structured, secured and risk mitigated.

#### **SUBORDINATED OR MEZZANINE CREDIT FACILITIES**

The Asset Manager believes there is a funding gap for successful small and medium sized companies, with the funding gap existing between commercial bank debt and equity capital, with a natural hesitancy amongst the owners and/or founders to pursue highly dilutive and interventionist private equity sponsor capital. While private equity sponsors have been successful in acquiring larger companies and orchestrating such value enhancing strategies such as industry roll-ups, the Asset Manager believes a market need exists for non-dilutive financing solutions that may involve flexible structures such as economic participations by way of preferred shares and/or royalty interests, subordinated loans or debentures, or mezzanine loans for small and medium sized companies. As with the alternative financing service and approach and development of collaborative business relationships based on developing a deep level of understanding of management and their business, the Trust will design subordinated or mezzanine credit facilities that reflect the application of strong credit acumen and diligence, while aligning the Trust’s interests with management with minimal and/or no equity dilution.

## **MORTGAGE INVESTMENTS**

The traditional sources of real estate mortgage financing include Schedule I and II banks, trust companies, insurance companies and pension funds ("**Institutional Lenders**"). The larger Institutional Lenders in Canada are generally focused on mortgage loans that comply with lending criteria established by the Canadian banks which are often restrictive. These criteria became much more restrictive after the 2008 credit crisis, resulting in a pullback by traditional lending sources from the mortgage market in general and in particular the commercial mortgage market. Due to the focus of large financial institutions on limited types of mortgage loans and increasingly conservative loan exposure levels, the Asset Manager believes quality lending opportunities exist in some under-served segments of the mortgage market at premium interest rates secured by high quality mortgage loans. Below are the areas of focus for the Trust in the mortgage market. The Trust may make such investments either directly or indirectly by holding interest in the units of Centurion REOT.

### **CONSTRUCTION LOANS FOR PURPOSE BUILT RENTAL APARTMENTS AND STUDENT HOUSING BUILDINGS**

Mortgage financing to support the construction of purpose built rental apartments and student housing buildings is provided on a strictly limited basis by only a few Institutional Lenders, primarily a few of the Schedule I and Schedule II banks and some trust companies. Despite vacancy rates upon completion and stabilization for these types of projects remaining extremely low, these lending institutions are very conservative and limited in the amount of financing they will provide. The Asset Manager believes that this will allow the Trust to potentially find an abundance of investment lending opportunities on high quality projects, typically structured as either first or second mortgages, in particular for those projects which Centurion Apartment REIT may have an interest in acquiring upon completion. The Asset Manager expects that the loan exposure levels provided by the Trust are typically well within the price point at which Centurion Apartment REIT would be interested in acquiring the completed projects. The Trust may make such investments either directly or indirectly by holding interest in the units of Centurion REOT.

### **DEVELOPER AND BUILDER PRE-CONSTRUCTION LOANS**

Builders and developers require loans to acquire land to build low rise and high rise developments. The Institutional Lenders lend on a very limited basis on land, presenting potentially attractive lending opportunities to the Trust.

### **OTHER GROWTH-ORIENTED REAL ESTATE INVESTMENT OPPORTUNITIES**

The Asset Manager believes that in the course of pursuing its core targeted Investments that it will be presented with other attractive growth-oriented real estate investment opportunities (including real estate development opportunities). The Asset Manager is regularly being presented with attractive opportunities outside of the multi-residential apartments and student housing areas. The Asset Manager intends to be opportunistic in considering other growth-oriented such real estate investment opportunities as they present themselves. The Trust may make such investments either directly or indirectly by holding interest in the units of Centurion REOT. See "Item 8: Risk Factors – Broad Investment Mandate".

## **2.5 Short Term Objectives and How We Intend to Achieve Them**

The Trust's objectives over the next twelve months are to raise sufficient funds to create a diversified portfolio of Investments and to build a Unitholder base. The Asset Manager has significant relationships with registered dealers and advisors and has a large diversified client base from its management of Centurion Apartment REIT and Centurion REOT. The Asset Manager anticipates that it will be successful in getting the Trust approved on a number of registered dealer platforms and that it will attract interest from its existing client relationships for the Trust.

The costs associated with achieving the Trust's short term objectives include the offering costs, including the organizational costs of the Trust estimated at \$200,000, the fees payable to the Asset Manager and its affiliates pursuant to the Asset Management Agreement and the commissions paid by the Trust to registered dealer in connection with the purchase of Investor Units.

## **2.6 Insufficient Funds**

The funds raised by the Trust pursuant to the Offering may not be sufficient to accomplish all of the Trust's proposed objectives and there is no assurance that alternative financings will be available.

## **2.7 Competition**

The market that the Trust operates in is very competitive. There are numerous competitors that compete within the same space. The Trust's competitors include individuals, non-bank lenders, alternative lenders, private and public investment companies, private equity funds and several Schedule 1 and 2 banks. The primary barriers to entry into the market the Trust operates in would be capital, contacts, experience in evaluating investments and the general economic environment.

## **2.8 Marketing Materials**

The marketing materials delivered or made reasonably available to a prospective purchaser before the termination of the distribution, related to each distribution under this Offering Memorandum, are incorporated by reference in this Offering Memorandum. The Trust reserves the right to modify these marketing materials in a nonmaterial way without re-delivering or without making reasonably available the said marketing materials to a prospective purchaser.

## **2.9 Material Agreements**

The following is a list of all material documents (collectively, the "**Material Contracts**") related to the Trust:

1. The Declaration of Trust of the Trust (described under "Item 2: Business of Centurion Financial Trust - 2.1 Structure");
2. The Asset Management Agreement (described under "Item 2: Business of Centurion Financial Trust - 2.1 Structure");
3. The Warehouse Agreements (described under "Item 2 - Business of Centurion Financial Trust - 2.4 Long-Term Objectives - Warehouse Agreements"); and
4. The Unit Exchange Agreements (described under "Item 5 - Securities Offered - 5.2 Subscription Procedure").

The Material Contracts are available for review by potential investors at the offices of the Asset Manager and online at [www.centurion.ca](http://www.centurion.ca).

# **ITEM 3: INTERESTS OF TRUSTEES, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS**

## **3.1 Compensation and Securities Held**

A person who is employed by and receives salary from the Trust, the Asset Manager or any of their affiliates does not receive any additional remuneration from the Trust for serving as a Trustee or executive officer. The Independent Trustees of the Trust are paid trustee fees of \$20,000 each per annum.

The Chair of the Investment Committee will be paid an amount per annum to be determined by the Board of Trustees.

The following chart discloses the names, municipalities of residence, positions, compensation and securities held by each of the Trustees, executive officers and principal holders of Units of the Trust. For a discussion of fees paid to the Asset Manager see “Item 2: Business of Centurion Financial Trust – 2.1 Structure – The Asset Manager’s Fees”.

Name and Municipality of Residence	Position(s) Held	Compensation Paid by the Trust or a Related Party in the Most Recently Completed Financial Year and the Compensation Anticipated to be Paid in the Current Financial Year	Number and Type of Securities of the Trust Held as of the January 27, 2017	
			Class A Units or Class F Units	Class M or Class R Units
Gregory Gunter Romundt Toronto, Ontario	President, Chief Executive Officer and Trustee Since January 3, 2017	\$1.00 <sup>(3)</sup>	Nil	50,000  (100% of the Class M Units) <sup>(1)(2)</sup>
Robert Kennedy Orr Toronto, Ontario	Chief Financial Officer and Chief Compliance Officer Since January 16, 2017	\$225,000 <sup>(4)</sup>	Nil	
Stephen Douglas Stewart Toronto, Ontario	VP of Mortgage Investments and Joint Ventures and Trustee Since January 16, 2017	\$185,000 <sup>(5)</sup>	Nil	Nil
Daryl Wilson Boyce Toronto, Ontario	Vice President, Corporate Finance and Trustee Since January 16, 2017	\$175,000	Nil	Nil
Donna Margaret Parr Toronto, Ontario	Trustee Since January 16, 2017	\$20,000	Nil	Nil
Graham McDonald McBride Mississauga, Ontario	Trustee Since January 16, 2017	\$20,000	Nil	Nil
Michael Gerard LeClair Toronto, Ontario	Trustee Since January 16, 2017	\$20,000	Nil	Nil
Ansil Kenneth Miller Mississauga, Ontario	Trustee Since January 16, 2017	\$27,000	Nil	Nil

Notes:

- (1) A related party of the Asset Manager owns 100% of the Class M Units. Gregory Romundt and his family beneficially own all of the outstanding shares of the Asset Manager and thus indirectly own 100% of the Class M Units. The Class M Units represent a 5% interest in the capital and the distributions of the Trust attributable to the Investor Units, as described under “Item 5: Securities Offered – 5.1 Terms of Securities – Description of the Units”.
- (2) Gregory Romundt, directly and through beneficial ownership of the shares of a related party of the Asset Manager owns a significant interest in Centurion Apartment REIT, Centurion REOT and the Trust.
- (3) Mr. Romundt receives a salary of \$1 and is not eligible for a bonus from the Trust. However, he and his family beneficially own all of the shares of the Asset Manager and its affiliates, the Investment Advisor and the Loan Servicer and are compensated by them.
- (4) This individual provides services to Centurion Apartment REIT, Centurion Real Estate Opportunities Trust and the Trust and his compensation is allocated between the trusts on numerous factors, including but not limited to how he splits his time between the trusts. The compensation number presented herein is not weighted by these factors and is presented



gross as if the person will spend all of his time working solely for the trust which is unlikely. The employee is eligible for a performance based bonus which has not been determined for 2017.

- (5) This individual is paid by Centurion REOT and his bonus is paid by Centurion Mortgage Capital Corporation. His compensation may be allocated between the trusts on numerous factors including but not limited to how he splits his time between the trusts. Employees who hold a Trustee position are not paid a Trustee fee.

### 3.2 Management Experience

The name and municipality of residence, office held with the Trust and principal occupation of each Trustee and senior officer of the Trust are as follows:

<b>List of Trustees, Officers and Employees Name and Municipality of Residence</b>	<b>Office</b>	<b>Principal Occupation</b>
Gregory Gunter Romundt <sup>(1)(3)</sup> Toronto, Ontario	President and Chief Executive Officer and Trustee	Executive/Trustee
Robert Kennedy Orr Toronto, Ontario	Chief Financial Officer and Chief Compliance Officer	Executive
Stephen Douglas Stewart <sup>(1)(3)</sup> Toronto, Ontario	VP of Mortgage Investments and Joint Ventures and Trustee	Executive/Trustee
Daryl Wilson Boyce <sup>(1)(3)</sup> Toronto, Ontario	VP, Corporate Finance and Trustee	Executive
Dino Fracassi Toronto, Ontario	Director, Corporate Finance	Lender
Dan Kashvin <sup>(1)(3)</sup> Toronto, Ontario	Director, Investments	Analyst
Graham McDonald McBride <sup>(2)(4)(6)(7)</sup> Mississauga, Ontario	Trustee	Executive
Ansil Kenneth Miller <sup>(2)(3)(5)(6)</sup> Mississauga, Ontario	Trustee	Executive
Michael Gerard LeClair <sup>(2)(4)</sup> Toronto, Ontario	Trustee	Executive
Donna Margaret Parr <sup>(2)(4)(6)</sup> Toronto, Ontario	Trustee	Executive

Notes:

- |  |                                |                                 |
|--|--------------------------------|---------------------------------|
| (1) Centurion Appointee                  | (2) Independent Trustee        | (3) Investment Committee Member |
| (4) Rotating Investment Committee Member | (5) Investment Committee Chair | (6) Audit Committee Member      |
| (7) Audit Committee Chair                |                                |                                 |

The nature and extent of investment experience of the Trustees and senior officers of the Trust and their principal occupations during the last five years are as follows:

#### Gregory Gunter Romundt

Mr. Romundt is the founder and President of Centurion Asset Management Inc., Centurion Apartment REIT and Centurion REOT which collectively manage over \$1.2 billion of assets. He has been engaged in investment in residential real estate since 1997 and investments and financial markets since 1991. He has real estate investment experience in Singapore, Britain, Australia, China and Canada. From 1991 to 1997, he worked for Citibank in Toronto, New York and Singapore as a financial derivatives trader in interest

rate derivatives, major and emerging currencies and exotic derivatives. From 1997 to 2001, he worked for AIG International Group in Hong Kong, Britain and Singapore as head of emerging market derivatives and then as Senior Vice President and Partner (Emerging Markets). He was the group risk manager, overseeing all of the firm's positions in emerging markets and was a member of the risk management committee. Mr. Romundt is a member of the Board of Directors for NEMA (National Exempt Market Association). He graduated from the Richard Ivey School of Business at the University of Western Ontario with an HBA in 1991. Mr. Romundt was nominated for and was a finalist in, the Ernst & Yong 2014 Entrepreneur of the Year award. He was named CEO of the Year in 2015 by Canadian Apartment Magazine.

### **Robert Kennedy Orr**

Mr. Orr has over 20 years of experience within the financial services sector. Mr. Orr has held senior finance positions in a number of companies ranging from a private investment firm, a large multi-national financial institution and a global accounting firm. Prior to joining Centurion, he was the Chief Financial Officer and Chief Compliance Officer of Sevenoaks Capital Inc., an alternative investment manager, regulated by the Ontario Securities Commission, catering to high net worth individuals both in Canada and internationally. Previously, Mr. Orr was the Chief Financial Officer of UBS Bank (Canada), the wealth management division of the Swiss-based bank. Mr. Orr has also held positions at KPMG as a Senior Manager in their Risk and Advisory Practice with a focus on financial services and CIBC World Markets as an Executive Director, Finance. Mr. Orr is a Chartered Accountant registered with the Institute of Chartered Accountants of Ontario and holds a Bachelor of Commerce from the University of British Columbia. Mr. Orr is a Trustee of Centurion Apartment REIT and Centurion REOT.

### **Stephen Douglas Stewart**

Mr. Stewart has over 20 years of experience in various roles in the financial services and investment industries. Most recently Mr. Stewart spent 5 years as the Chief Financial Officer of ING Bank of Canada (ING Direct), where he oversaw all aspects of finance, accounting and risk management as well as chairing the bank's credit committee, several management committees and serving as a director of two regulated mutual fund subsidiaries. Prior to his appointment as CFO, he served as Chief Lending Officer where he oversaw the company's commercial and retail lending departments and a mortgage book of over \$20 billion. Before joining ING, Mr. Stewart was with Hudson Advisors, a private equity firm specializing in real estate debt investments and structured finance, and previously held a variety of progressive lending roles including real estate and construction financing roles with National Bank and North American Trust. He began his career with PWC. Mr. Stewart is a Chartered Accountant with a double major in management and economics from the University of Guelph. Mr. Stewart is a Trustee of Centurion REOT.

### **Daryl Wilson Boyce**

Mr. Boyce's investment and financing experience spans over 35 years and encompasses the management of equity and debt financing portfolios. Most recently, Daryl was the President of Evergreen Capital Group, a consulting firm involved in providing corporate finance, business transition, as well as expansion- and succession-related advisory services to mid-market clientele. Prior to forming Evergreen, he managed the private equity portfolio of Trimel Investments Inc., with the portfolio comprising investee companies in a number of diverse sectors throughout North America. Before Trimel, Daryl held a variety of lending roles in The Bank of Nova Scotia (Scotiabank), where he managed a senior lending portfolio, which included leading and arranging a variety of specialized and syndicated financing. Over the years, Daryl has acquired expertise in a variety of sectors, including consumer products, specialty pharmaceuticals, manufacturing and distribution, transportation and logistics, and professional sports. He received his Honours Bachelor of Arts in Commerce and Economics from the University of Toronto, Ontario, Canada in 1981.

### **Dino Fracassi**

Mr. Fracassi has over 20 years lending experience which has covered a wide range of businesses from small private companies to large publicly traded corporations. In his most recent role, he was a key contributor to Scotiabank's Toronto-GTA Structured commercial banking team where he managed a loan book of over \$500M of assets. Prior to this role, Mr. Fracassi worked at HSBC Bank Canada where he led a commercial banking team and helped establish a Leverage Finance team. The Leverage Finance team worked closely with Private Equity Sponsors by providing leveraged credit facilities in support of sponsor backed M&A activity. Earlier in his career, Mr. Fracassi held credit adjudication roles at Credit Suisse Canada and Scotiabank-Global Risk Management. Mr. Fracassi is a CFA charterholder and is a member of the CFA Society Toronto. He holds a Bachelor of Business Administration degree from Ryerson University.

### **Dan Kashvin**

Mr. Kashvin has over seven years of work experience in the acquisitions, financing, valuation and asset management of real estate assets across Canada and the U.S. He is responsible for the investment analysis of large scale real estate transactions in the areas of multi residential, student housing, and mortgage investments. Mr. Kashvin is a member of the Investment Committee of Centurion Real Estate Opportunities Trust. Prior to joining Centurion Mr. Kashvin held senior investment analysis positions at Revera Inc. and previously he was a member of the wealth management team at RBC Dominion Securities. Mr. Kashvin holds a Bachelor of Commerce degree from the University of Toronto, is a CFA chartholder and a licensed mortgage agent in Ontario.

### **Ansil Kenneth Miller**

Mr. Miller is the CEO of Raven Consulting. He brings a wealth of experience to the Board of Trustees after spending 33 years in the banking industry. Mr. Miller's experience includes 15 years as the General Manager in the Special Loans division at CIBC where his focus was on difficult to recover loans in excess of \$5M. Assuming the responsibility in 1993, he managed the Real Estate portfolio within the special loans division with financing in the single family, industrial, condos, and commercial markets in Canada, USA and Europe. After leaving CIBC Mr. Miller joined Longroad Asset Management, LLC, a private equity firm in New York City and then First Caribbean Bank. His experiences also includes guiding operational and financial restructuring plans, the negotiation of the sale of debt, chairing lender syndicate steering committees and acting as a representative for lending files on numerous credit and steering committees. He has 25 years of experience in financial analysis with 10 years of experience lending to the Ontario Construction industry. Mr. Miller received numerous awards during his tenure at CIBC and was an honoured guest speaker at several insolvency symposiums with his subject focus being on real estate construction, financing analysis and recovery techniques. He received his Bachelor of Arts from York University and received his Fellowship of the Institute of Canadian Bankers from the University of Toronto.

### **Graham McDonald McBride**

Mr. McBride has been active in the North American investing community for 30 years. He is President of LarchHill Capital Inc., a private investing and consulting firm, and a Co-Founder of FundThrough Inc., a provider of working capital to small and mid-sized companies. Until 2010, he was a Managing Partner of VG Partners, joining to lead the growth and management of the VG MezzGrowth Group (mezzanine fund), with capital under management of \$300 million. His entire career has been spent in the Canadian mid-market, investing in, and advising entrepreneurs and their businesses. Prior to VG, Mr. McBride was a Managing Director of Royal Bank Capital Partners' Mezzanine Fund, establishing the firm as a presence in the mezzanine market. From 1996 to 2000, Mr. McBride was a Principal in the start-up of McKenna Gale Capital, focusing on mezzanine investments of \$7 to \$15 million in a diverse mix of mid-

market companies. Graham was a primary transaction generator McKenna Gale, with responsibility for ongoing deal management and execution. From 1992 to 1996, Mr. McBride was a Vice President of Penfund Management Ltd., initially managing their troubled senior debt portfolio and subsequently joining Penfund's equity investment team. From 1989 to 1992, he worked with the Central Capital Group of Companies, structuring investments of senior debt, subordinated debt and equity on their behalf, after beginning his career in the Commercial Lending Division of the TD Bank.

Mr. McBride has been a director of numerous companies and continues to be an active director of several businesses, including Donaldson & James Ltd. and AME Learning Inc., and is on the Board of Advisors of triOS Colleges Inc. He also works closely with several charities and non-profits, including sitting on the Investment Committee of the Toronto Atmospheric Fund. Mr. McBride has a Bachelor of Commerce (Honours) degree from Queen's University.

### **Michael Gerard LeClair**

Mr. LeClair is an experienced director and strategic advisor with an extensive background in corporate finance, mergers and acquisitions and private equity. Prior to joining the Board of Trustees of Centurion Financial Trust, Mr. LeClair acted as Managing Director of Integrated Asset Management – Private Debt Group (2002-2015), an institutional debt fund specializing in providing financing solutions for mid-market Canadian companies including small to medium-sized energy projects in North America. He is currently Chair of the Board for a privately held group of health care centers in the United States and is a strategic advisor to a fast growing, specialty engineering company based in Toronto. Throughout his career, he has served in various executive capacities including President of Westpark Healthcare Foundation, a Toronto based hospital foundation, Vice President, Corporate Development at Chubb Security (1998-2001), a global security company and as a strategic advisor and Director for a number of Canadian and U.S. private companies. Mr. LeClair is a Certified Corporate Director with a degree from the Rotman School of Management at the University of Toronto and holds a Bachelor of Science degree from the University of Western Ontario.

### **Donna Margaret Parr**

Ms. Parr has significant experience in venture and private equity investing and fund raising and corporate finance working for Canadian Medical Discoveries Fund, Canada Pension Plan (CPP), TD Capital, Ontario Municipal Employees Retirement System (OMERS), Canadian Corporate Funding Ltd, Trivest Insurance Network (a Trilon company) and Continental Illinois Bank. Of her twelve years making direct private equity, venture capital, and private debt investments at OMERS, she headed the private equity and venture group for four years. She has served on 30 boards of private companies on behalf of institutional investors.

As President of Crimson Capital, she has worked with a number of technology and growth companies to build their businesses and has been involved in numerous equity capital raises and secured over \$8M in government grants/loans. She has prior operational experience as part of the early team, and as an active current Director, of CellAegis Devices which has developed a patented medical device for reducing the impact of heart attacks and stroke using technology licensed from the Hospital for Sick Children. Donna was an Entrepreneur in Residence at the HalTech Regional Innovation Centre. She holds an MBA from York University and Masters and Honours degrees from the University of Toronto in International Relations. Donna was a Board Director of the Heart and Stroke Foundation of Ontario from 2006-2012 and a founder of Canadian Women in Private Equity and AceTech Ontario.

### 3.3 Penalties, Sanctions and Bankruptcies

As at the date hereof, or within the ten years prior to the date of this Offering Memorandum, no Trustee, executive officer or control person has been a director, executive officer or control person of any company (including the Trust) that:

- (a) was subject to:
  - (i) a cease trade (including any management cease trade order which applied to directors or executive officers of a company, whether or not the person is named in the order);
  - (ii) an order similar to a cease trade order; or
  - (iii) an order that denied the relevant company access to any exemption under securities legislation;

that was in effect for a period of more than 30 consecutive days (an “**Order**”); or

- (b) was subject to an Order that was issued after the director, executive officer or control person ceased to be a director, executive officer or control person and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or control person.

Except as disclosed in respect of Mr. McBride below, as at the date hereof, no director, executive officer, Trustee or control person is, or within the ten years prior to the date of this Offering Memorandum has:

- (a) been a director, executive officer or control person of any entity (including the Trust), that while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver manager or trustee appointed to hold the assets of the director, executive officer or control person.

Graham McBride served on the board of directors of Nexient Learning Inc. (“**Nexient**”) (a corporate training business), an investee company of VenGrowth Capital Partners Inc., from mid-2005 to December 2007 and again commencing in March 2008 until June 2009. During Mr. McBride’s second term on the board, Nexient filed for protection under the Companies’ Creditors Arrangement Act (Canada), ultimately resulting in a sale of the Nexient business to a third party. The remaining Nexient shell company subsequently filed for bankruptcy protection under the Bankruptcy and Insolvency Act (Canada) (the “**BIA**”) and was discharged from bankruptcy in March 2011. Mr. McBride served on the board of directors of CiF Furniture Limited (“**CiF**”) (a manufacturer of specialty casework for laboratory and educational applications), an investee of VenGrowth, from December 2004 to May 2010. During this period, CiF filed for protection from its creditors by filing a notice of intention to make a proposal under the BIA, and, ultimately, all of the assets of CiF were sold to a newly formed entity, CiF Lab Casework Solutions Inc. (“**CiF Labs**”), pursuant to a sale by a court-appointed receiver. CiF Labs was created in July 2009, as a wholly-owned subsidiary of VenGrowth, for the purpose of acquiring all of the assets of CiF.

### 3.4 Loans

As at the date of this Offering Memorandum, the Trust does not have any debentures or loans due to or from its directors, management, promoters or its principal security holders.

## ITEM 4: CAPITAL STRUCTURE

### 4.1 Share Capital

The following table sets forth the issued and outstanding equity securities of the Trust as of the date hereof:

Description of Security	Number Authorized to be Issued <sup>(1)(5)</sup>	Price per Unit <sup>(2)</sup>	Number Outstanding as at January 27, 2017 <sup>(6)</sup>	Number Outstanding After Offering
Class A Units	Unlimited	See Notes	1	See Notes
Class F Units	Unlimited	See Notes	Nil	See Notes
Class I Units	Unlimited	See Notes	Nil	See Notes
Class M Units <sup>(3)</sup>	Unlimited	See Notes	50,000	See Notes
Class R Units <sup>(4)</sup>	Unlimited	See Notes	Nil	See Notes

Notes:

- (1) There is no minimum offering. There is no maximum offering and the Trust is authorized to issue an unlimited number of Units.
- (2) The price per Unit will be determined by the Trustees from time to time and set forth in the subscription agreement(s) entered into between the subscriber and the Trust.
- (3) The Class M Units are not being issued as part of the Offering. The table assumes that no Class M Units are converted into Class A Units. The Class M Units represent a 5% interest in the capital and the distributions of the Trust attributable to the Investor Units, as described under "Item 5: Securities Offered - 5.1 Terms of Securities - Description of the Units".
- (4) The Class R Units are not being issued as part of this Offering. Additional Class R Units may be issued to Centurion Apartment REIT and Centurion REOT from time to time.
- (5) Units are issuable in series.
- (6) One Class A Unit was issued to the Asset Manager on January 3, 2017 on formation of the Trust. This initial Class A Unit will be repurchased and cancelled by the Trust immediately after the issuance of additional Investor Units, or at a later time as may be determined by the Trustees.

### VALUATION POLICY

As set forth in the definition of "Fair Market Value" and pursuant to the Declaration of Trust, the value of the Units are determined by the Trustees, in their sole discretion, on a monthly basis, using reasonable methods of determining fair market value. Fair Market Value may or may not be equal to the net asset value of the Units. The description of the methodology of valuations and the calculation of Fair Market Value and Posted Prices of Units reflects the methodology used by the Trustees as at the date hereof in calculating Fair Market Value. The Trustees may, in their discretion, adopt alternative methodologies consistent with market practices to calculate investment values and Fair Market Value from time to time, without notice to, or approval by, Unitholders.

The Trust's investment objective is to invest in a diversified portfolio of investments that preserves capital and generates returns to permit the Trust to pay monthly distributions and create long-term growth for its Unitholders. The Trust will seek to accomplish its investment objectives through prudent investments in private debt to satisfy the financing needs of borrowers not currently well serviced by traditional lenders. The Trust may make such investments, directly or by investing, in units of Centurion REOT

and/or Centurion Apartment REIT or through another entity or structure that holds such investments and to which the Trust obtains exposure.

The arrangements to provide funding can be structured in a variety of ways. As such, the valuation of these investments varies depending on the structure and the nature of the investment. The potential investments and how they are valued are as follows:

### **Loan Investments Valuation**

Loan investments are classified as loans and receivables for accounting purposes. Such investments are recognized initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, the loan investments are measured at amortized cost using the effective interest method, less any impairment losses.

The investments are assessed at each reporting date or Valuation Date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of investments measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against the investments. Interest on the impaired asset continues to be recognized through the unwinding of the allowance if it is considered collectable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

There is no quoted price in an active market for these investments. Management determines fair value based on its assessment of the current lending market for loan investments of the same or similar terms. This includes an analysis of market interest rates and credit spreads for similar loans. The Trust will consider, but not be limited in considering, payment history, value of underlying collateral securing the loan, overall economic conditions and other applicable conditions. Typically, the fair value of loan investments approximate their carrying values.

For investments with participating loan interests, the participating loan interest will be valued at the fair market value based on specific valuation methodologies and models developed by the Asset Manager which incorporate both internal and external data.

### **Equity Investments Valuation**

Equity investments, if any, will be carried at book value less any impairments plus the increase, if any, to fair market value as the Trust considers is fair and reasonable.

### **Other Investments Valuation**

Other Investments will be carried at fair value.

If an investment cannot be valued under the above guidelines, or if the Trust determines that the above guidelines are at any time inappropriate under the circumstance, then notwithstanding such guidelines, the Trust will make such valuations as it considers fair and reasonable and, if there is an appropriate industry practice, in a manner consistent with such industry practices for valuing such an investment.

## CALCULATION OF FAIR MARKET VALUE AND POSTED PRICES

The Fair Market Value (“**FMV**”) of the Trust is calculated monthly based on the IFRS balance sheet carrying values plus certain adjustments (“**Adjustment Factors**”).

The Trust currently conducts monthly closings for new subscriptions and redemptions of Units at the posted FMV. The Investment Portfolio is valued on a quarterly basis. The FMV may change in between quarters, at quarter ends or not at all unless there are material changes or considerations that would impact the posted Unit FMV including but not limited to changes in interest rates, acquisitions, dispositions and profits or losses, whether realized or unrealized, within the Investment Portfolio.

The Unit FMV is calculated by adding IFRS Balance Sheet Assets, subtracting IFRS Balance Sheet Liabilities, adding or subtracting appropriate non-IFRS Adjustment Factors and dividing by the total number of outstanding Units. Thus, FMV can be summarized as:

$$\text{FMV} = (\text{IFRS Balance Sheet Assets} - \text{IFRS Balance Sheet Liabilities} + \text{Adjustment Factors}) / \\ \text{Total Number of Outstanding Units}$$

The Adjustment Factors include, but are not limited to:

- (a) capitalization of certain expenses, whose benefits accrue over a long period of time and should be allocated between exiting, remaining, and incoming Unitholders but may be written off or effectively written off under IFRS or where the value of such expense isn’t as yet reflected, in whole or in part in the Investment Portfolio valuation due to timing lags, if any;
- (b) portfolio premiums, if any;
- (c) portfolio inter-quarter timing adjustments, if any; and
- (d) discretionary adjustments, if any.

The calculation of the Unit FMV involves critical estimates, assumptions and judgments as part of the process.

The FMV of the Units is currently determined as per the above methodology and approved on a monthly basis by the Trustees for posting to the website of the Trust and for use in, but not limited to processing redemptions, new subscriptions, financial statements of the Trust and account statements for Unitholders.

## DISTRIBUTION POLICY

The Declaration of Trust provides that the Trust may distribute to Unitholders such percentage of the Distributable Income for the calendar month then ended as the Trustees determine in their discretion for the period.

In addition, the Trustees may declare to be payable and make distributions, from time to time, out of income of the Trust, net realized capital gains of the Trust, the net recapture income of the Trust, the capital of the Trust or otherwise, in any year, in such amount or amounts, and on such dates on or before the last Business Day of the Trust’s taxation year as the Trustees may determine, to the extent such income, capital gains and capital has not already been paid, allocated or distributed to the Unitholders.

Distributions may be adjusted for amounts paid in prior periods if the actual Distributable Income for the prior periods is greater than or less than the Trustees’ estimates for the prior periods. Distributions shall be made in cash and may be invested in similar Units (being Units of the same class) pursuant to any distribution reinvestment plan (“**DRIP**”) or unit purchase plan adopted by the Trustees.



Each year the Trust shall deduct in computing its income for purposes of the Tax Act such portion of the amounts paid or payable to the Unitholders for the year as is necessary to ensure that the Trust is not liable for income tax under Part I of the Tax Act for that taxation year. The Trustees shall deduct or withhold from distributions payable to any Unitholder amounts required by law to be deducted or withheld from such Unitholder's distributions.

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 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 such Units, as the case may be, if necessary, having a fair market value as determined by the Trustees 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 in the case of Units.

The closing date for new subscriptions will be the first business day of each month. Subscribers will be considered Unitholders as of the first business day of the month, provided that their completed subscription documents have been received before this date.

Distributions are paid out on the 15th of each month, except when the 15th falls on a weekend or legal holiday, in which case distributions are paid out on the first business day following the 15th of the month. Unitholders are entitled to a distribution in a given month if they are Unitholders on the last business day of that month.

#### **DISTRIBUTION RATES PER UNIT**

The Trustees may, in their discretion, allocate distributions among the classes of Units to adjust for the commissions, trailers and other costs attributable to the sales channels relating to each class of Unit. If distributions are so allocated to adjust for the commissions, trailers and other costs attributable to each class of Unit, the Fair Market Value per Unit of each class of Units will be the same. If the Trustee, in its discretion, chooses not to so allocate distributions, the Fair Market Value per Unit of each class of Units is expected to differ. Notwithstanding the different upfront and ongoing trailer commissions with respect to each purchase option for the Class A Units, such commissions are borne by all holders of Class A Units. To the extent that the Trust is responsible for the payment of compensation to securities dealers, including upfront and ongoing trailer commissions, the funds available to the Trust for investment purposes and distributions will be reduced.

For the twelve month period following the date of this Offering Memorandum, it is the Trust's current intention to distribute \$0.70 per Class A Unit per annum and \$0.80 per Class F Unit and Class I per annum, payable on a monthly basis and to allocate distributions among the classes of Units to adjust for the commissions, trailers and other costs attributable to the sales channels relating to each class of Unit such that the Fair Market Value per Unit of each class of Units is the same. There can be no assurance that the Trust will be able to achieve its distribution targets or that the Trust will make any distribution in any particular month. See "Item 8: Risk Factors – Availability of Cash for Distributions".

#### **DISTRIBUTION REINVESTMENT PLAN (DRIP)**

The Trust permits Unitholders to receive distributions in the form of Units or cash. Unitholders enrolled in the DRIP program currently receive a 2.0% discount on Units purchased through the DRIP.

## 4.2 Long Term Debt

For information regarding the loans and indebtedness of the Trust see the financial statements of the Trust attached in "APPENDIX B - FINANCIAL STATEMENTS". The Trust has no long term debt as at January 27, 2017.

## 4.3 Prior Sales

The following table sets forth the securities of the Trust that were issued since inception:

Date of Issuance	Type of Securities Issued	Number of Securities Issued	Price Per Securities	Total Funds Received
January 27, 2017	Class M Units	50,000	\$10.00	\$500,000
January 3, 2017	Class A Units	1	\$10.00	\$10.00

## ITEM 5: SECURITIES OFFERED

### 5.1 Terms of Securities

The Trust is a limited purpose unincorporated investment trust governed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

#### DESCRIPTION OF THE UNITS

The beneficial interests in the Trust are divided into an unlimited number of classes of units, issuable in series. Currently, there are 5 (five) classes authorized for issuance, described as "Class A Units", "Class F Units", "Class I Units", "Class M Units" and "Class R Units". The number of Class A Units, Class F Units, Class I Units and Class R Units which the Trust may issue is unlimited. The number of Class M Units which the Trust may issue is unlimited, but is set as the ratio of the number of Investor Units (currently Class A and Class F Units) included to ensure that Class M Units are always entitled to a 5% interest in the Trust's cash distributions and equity interest in the net assets of the Trust with no requirement to issue any additional Class M Units, such that the amount of Class M Units will equal the number of Investor Units divided by 0.95 less the number of Investor Units as in the formula below:

$$B = (A / 0.95) - A - C$$

Where:

B = current number of Class M Units deemed to be outstanding

A = largest number of Investor Units ever issued and outstanding

C = the total of previously issued Class M Units that have been converted into Class A Units or Class R Units

And, for greater certainty:

- (i) where A is nil the Class M Unit Percentage Interest is 100%
- (ii) no new Class M Units may be included in the foregoing calculation to the extent that the deemed issue of such Class M Units would cause the number of Class M Units deemed to have ever been issued to exceed:

$$(A / 0.95) - A$$

- (iii) In the event that the number of Investor Units at any particular time is less than

the largest number of Investor Units ever issued and outstanding, the number of Class M Units shall not decline as a result of the foregoing but the Investor Unit Percentage Interest and Class M Unit Percentage Interest will change accordingly.

No new Class M Units shall be issued unless the number of Investor Units has increased from the last highest number of issued Investor Units. The Asset Manager may elect, at any time and from time to time, to convert Class M Units into Class A Units and/or Class R Units upon notice to the Trust in accordance with the Declaration of Trust. The Class M Units shall automatically convert to Class A Units with no action required by the Asset Manager upon (1) a take-over bid for all of the outstanding Units or (2) the termination of the Asset Management Agreement for cause.

Class A, Class F, and Class I Units shall be issued only as fully paid and non-assessable. Each Unit when issued shall vest indefeasibly in the holder thereof. The issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees with the approval of the majority of the Unitholders, or as otherwise provided in the Declaration of Trust. The Trustees may, in their sole discretion, authorize the creation of additional classes of Units, including additional classes of Investor Units.

Class M Units and Class R Units are not being offered for purchase pursuant to this Offering Memorandum. The redemption rights attaching to Class R Units are different than the redemption rights attaching to the other classes of Units. See “Item 5: Securities Offered – 5.1 Terms of Securities – Description of the Units”.

Each Unit shall represent an undivided beneficial interest in the Trust and distributions by the Trust, whether of net income, net realized capital gains or other amounts, and, in the event of a liquidation, dissolution, winding-up or other termination of the Trust, in the net assets of the Trust remaining after satisfaction of all liabilities provided that the Trustees may, in their discretion, allocate the distributions among the classes of Investor Units to adjust for the commissions, trailers and other costs attributable to the sales channels relating to each class of Investor Unit. See “Item 4: Capital Structure – 4.1 Share Capital – Distribution Policy”. No Unit shall have preference or priority over any other. The distribution entitlement of each Unit is intended to and will be derived from the same sources.

Additional Class R Units may be issued to Centurion Apartment REIT or Centurion REOT at any time, and from time to time for cash, as payment by the Trust for any Warehoused Investments, or other assets acquired by the Trust from Centurion Apartment REIT or Centurion REOT pursuant to the Warehouse Agreement or otherwise.

### **Repurchase of Units**

The Trust shall be entitled to purchase for cancellation at any time the whole or from time to time any part of the outstanding Units, at a price per Unit and on a basis determined by the Trustees in compliance with all applicable securities laws.

### **Redemption of Units**

Pursuant to the Declaration of Trust, each Unitholder shall be entitled to require the Trust to redeem on a monthly basis all or any part of the Units registered in the name of the Unitholder, subject to the limits and restrictions described below (including the monthly limit (as described below)). The monthly redemption date (“**Redemption Date**”) will be the 15<sup>th</sup> day of each month. If the 15<sup>th</sup> day of the month is not a Business Day, the Redemption Date for that month will be the next succeeding Business Day.

To exercise a Unitholder's redemption right, a duly completed and properly executed notice (the "**Notice**") requiring the Trust to redeem Units, in a form approved by the Trustees, specifying the number of Units to be so redeemed, shall be sent to the Trust at its head office along with the "Unit Certificate(s)" representing the Unit(s) to be redeemed, if any. The Notice must be received at least 30 days before the applicable Redemption Date to be considered for that particular Redemption Date. If at least 30 days' notice is not given, the Trustees will not be required to consider redeeming the Unit(s) until the next subsequent Redemption Date. No form or manner of completion or execution is sufficient unless the same is in all respects satisfactory to the Trustees and is accompanied by any evidence that the Trustees may reasonably require with respect to the identity, capacity or authority of the person giving such Notice. The Trustees shall be entitled in their sole discretion to accelerate the Redemption Date specified by the Unitholder in the Notice.

As of the Redemption Date, the Unitholder will not cease to have any rights with respect to the Units tendered for redemption until the Unit Redemption Price therefore (as defined below), plus the *pro rata* share of any unpaid distributions declared thereon and paid prior to the Redemption Date has been paid in full. Units will be considered to be tendered for redemption on the Redemption Date, provided that the Trustees have, to their satisfaction, received the Notice, together with the Unit Certificate(s) representing the Units to be redeemed, if any, and other required documents or evidence as aforesaid; and subject to the any applicable redemption charges or fees as set out in the paragraph below, the holder of a Unit properly tendered for redemption will be entitled to receive a price per Unit equal to the Fair Market Value of the Unit to be redeemed calculated at the Valuation Date immediately preceding the Redemption Date, plus the *pro rata* share of any unpaid distributions thereon which have been declared payable to Unitholders but remain unpaid as at the Redemption Date to the extent same are not otherwise included in the Fair Market Value of the Unit(s) to be redeemed (the "**Unit Redemption Price**").

The Unit Redemption Price for Units tendered for redemption will be reduced by any applicable "**Deferred Sales Charge**" or "**Short Term Trading Fee**" depending upon the purchase option that the Subscriber purchased Units under. All direct Subscribers will be conclusively deemed to have subscribed under the DSC Purchase Option.

Subject to monthly cash redemption limit of \$50,000, more particularly set out in the Declaration of Trust, the Unit Redemption Price payable in respect of Unit(s) tendered for redemption will be paid in cash by direct deposit or cheque, drawn on a Canadian chartered bank or trust company in lawful money of Canada, payable at par to, or deposited to the account of the registered Unitholder of the Unit tendered for redemption, or payable or deposited as otherwise instructed in writing by such registered Unitholder. Cash payments of the Unit Redemption Price made by the Trust are conclusively deemed to have been made when deposited by direct deposit or upon the mailing of a cheque in a postage pre-paid envelope addressed to the payee unless such cheque is dishonored upon presentment. Upon such payment as set out herein or otherwise in accordance with the Declaration of Trust, the Trustees and the Trust will be discharged from all liability to the former registered Unitholder in respect of the Units so redeemed.

Each of Centurion Apartment REIT and Centurion REOT has the option, in its discretion, to redeem Class R Units to satisfy any obligation of Centurion Apartment REIT or Centurion REOT, or outstanding amount payable by Centurion Apartment REIT or Centurion REOT, to the Trust (other than amounts payable in respect of funding Warehoused Investments).

All Notices shall be time and date stamped on receipt by the Trust. **The Trust will not pay any Unit Redemption Prices in cash as set out above on a particular Redemption Date if the total cash payable on that Redemption Date by the Trust, and its affiliates and Subsidiaries, to all Unitholders who have previously tendered their Units for redemption on such Redemption Date, exceeds \$50,000 (the "Monthly Limit"), unless otherwise approved by the Trustees in their sole discretion.** Cash payments

being paid pursuant to Notices shall be paid in order of receipt of such Notices with the intent that Redemption Prices shall be paid out in order of receipt of Notices. Payments shall be made to a maximum of \$50,000 of the aggregate Fair Market Value of Units outstanding on the Valuation Date immediately preceding any Redemption Date. Those Units for which Notices have been received but not paid out on any given Redemption Date shall maintain their order of priority until the Unit Redemption Price(s) for such Unit(s) has (have) been paid in full. Additionally, the Trustees shall be entitled in their sole discretion to extend the time for payment of any Unit Redemption Prices, if in the reasonable opinion of the Trustees such payment would be materially prejudicial to the interests of the remaining Unitholders. The Trustees, in their sole discretion, may waive the Monthly Limit for any given Redemption Date.

Subject to any, applicable regulatory approvals, if the total cash payable on that Redemption Date by the Trust, and its affiliates and Subsidiaries, to all Unitholders who have previously tendered their Units for redemption on such Redemption Date, exceeds the Monthly Limit, the portion of the Unit Redemption Price in excess of such Monthly Limit may be paid to Unitholders by way of a distribution *in specie* of units of CFIT Trust and/or assets of the Trust ("**In Specie Distributions**"), on a *pro rata* basis in the discretion of the Trustees. Notwithstanding the foregoing, in respect of In Specie Distributions of any portion of the Unit Redemption Price for Class R Units, and Investments (or any portion thereof) with a Gross Book Value of less than \$500,000 (or such other threshold as determined by the Trustees) shall be excluded from any calculation of the Class R Units *pro rata* share of the assets of the Trust. Centurion Apartment REIT and the Trust may negotiate other outcomes with respect to any In Specie Distributions on the Class R Units (whether pursuant to a redemption of Class R Units or otherwise), provided such outcomes are approved by the Independent Trustees. For greater certainty, redemptions of Class R Units which give rise to In Specie Distributions of the assets of the Trust are not subject to the Monthly Limit.

### **Restrictions on Transfers**

Investor Units shall only be transferred with the prior consent of the Trustees. No transfer shall be effective as against the Trust or the Trustees or shall be in any way binding upon the Trust or the Trustees until the transfer has been recorded on the registered maintained by the transfer agent and registrar for the Trust.

### **Take-Over Bids**

If there is a take-over bid for all of the outstanding Units and, within the time limit in a take-over bid for its acceptance, or 120 days after the date of such take-over bid, whichever period is the shorter, the take-over bid is accepted by the holders of not less than 90% of the Units (including Units issuable upon the surrender or exchange of any securities for Units but not including any such securities held at the date of the take-over bid by or on behalf of the offeror or affiliates or associates of the offeror), other than Units held at the date of the take-over bid by or on behalf of the offeror or an affiliate or associate of the offeror, the offeror is entitled, on complying with the Declaration of Trust, to acquire the Units held by the dissenting offerees.

### **Issuance of Units**

The Trustees may allot and issue Units, in such Classes and series, at such time or times and in such manner (including pursuant to any plan from time to time in effect relating to reinvestment by the Unitholders of distributions of the Trust in Units) and to such "**Person, Persons or class of Persons**" as the Trustees in their sole discretion shall determine. The price or the value of the consideration for which Units may be issued and the terms and conditions of issuance of the Units shall be determined by the Trustees in their sole discretion, generally (but not necessarily) in consultation with investment dealers or brokers who may act as underwriters in connection with offerings of Units. In the event that Units are

issued in whole or in part for a consideration other than money, the resolution of the Trustees allotting and issuing such Units shall express the fair equivalent in money of the other consideration received.

The Trust may issue Class R Units to Centurion Apartment REIT and Centurion REOT at any time, and from time to time for cash, as payment by the Trust for Warehoused Investments, or as payment for other assets acquired by the Trust from Centurion Apartment REIT or Centurion REOT. For greater certainty, Centurion Apartment REIT or Centurion REOT may require that the Trust issue additional Class R Units to satisfy any obligation of the Trust, or outstanding amount payable by the Trust, to Centurion Apartment REIT or Centurion REOT.

### **Limitation on Non-Resident Ownership**

Notwithstanding any provision of this Offering Memorandum or the Declaration of Trust to the contrary, at no time may more than 49% of the Units then outstanding be held by or for the benefit of Persons who are not resident in Canada for the purposes of the Tax Act ("**Non-Resident Beneficiaries**"). The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident or declarations from holders of Units as to whether such Units are held for the benefit of Non-Resident Beneficiaries. If the Trustees become aware that more than 45% of the Units then outstanding are, or may be, held by or for the benefit of Non-Resident Beneficiaries or that such a situation is imminent, the Trustees may make a public announcement thereof and shall not accept a subscription for such Units from or issue or register a transfer of such Units to a Person unless the Person provides a declaration that the Person is not a non-resident of Canada for the purposes of the Tax Act and does not hold his Units for a Non-Resident Beneficiary. If, notwithstanding the foregoing, the Trustees determine that more than 45% of the Units then outstanding are held by or for the benefit of Non-Resident Beneficiaries, the Trustees may send a notice to non-resident holders of Units and holders of Units for Non-Resident Beneficiaries chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell or redeem their Units or a portion thereof within a specified period of not more than 60 days.

### **MEETINGS OF UNITHOLDERS**

An annual meeting of the Unitholders, shall be held at such time and place in Canada as the Trustees shall prescribe, for the purpose of electing Trustees (except for the Centurion Appointees), appointing or changing the accountants of the Trust and/or its affiliates and transacting such other business as the Trustees may determine or as may properly be brought before the meeting. The annual meeting of the Unitholders shall be held after delivery to the Unitholders of the information referred to in the Declaration of Trust and, in any event, prior to September 30<sup>th</sup> of each fiscal year of the Trust.

Unitholders of record shall be entitled to vote in person or by proxy. Notwithstanding the foregoing, if the Trustees determine that the nature of the business to be transacted at a meeting affects Unitholders of one class of Units in a manner materially different from its effect on Unitholders of another class of Units, the Units of such affected class will be voted separately as a class. On a poll vote at any meeting of Unitholders, each Unit shall entitle the holder or holders of that Unit to one vote. Every question submitted to a meeting, other than a special resolution, shall, unless a poll vote is demanded, be decided by a show of hands, on which every person present and entitled to vote shall be entitled to one vote.

At any meeting of the Unitholders, or of Unitholders of a Class, a quorum shall consist of two or more individuals present in person either holding personally or representing as proxies not less in aggregate than 10% of the aggregate number of votes attached to all outstanding Units, or a Class, as applicable.

The Trustees shall have power at any time to call special meetings of the Unitholders at such time and place in Canada as the Trustees may determine. The Unitholders holding in the aggregate not less than 5% of the votes attaching to all outstanding Units (on a fully-diluted basis) may requisition the Trustees

in writing to call a special meeting of the Unitholders for the purposes stated in the requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the *Business Corporations Act* (Ontario). Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy and a proxy need not be a Unitholder.

#### AMENDMENTS TO DECLARATION OF TRUST

The Declaration of Trust may only be amended by a vote of a majority of the votes cast at a meeting of Unitholders duly called for that purpose, provided that the provisions of the Declaration of Trust may be amended by the Trustees without the consent, approval or ratification of the Unitholders or any other person for the following purposes:

- to ensure continuing compliance with applicable laws (including the Tax Act and maintaining the Trust's status as a "mutual fund trust" under the Tax Act), regulations, requirements or policies of any governmental or other authority, having jurisdiction over the Trustees, the Trust or over the distribution of Units;
- to provide additional protection or benefit, in the opinion of the Trustees, for the Unitholders;
- to remove any conflicts or inconsistencies in the Declaration of Trust or make minor corrections including the rectification of any ambiguities, defective provisions, errors, mistakes or omissions which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;
- to make amendments which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in the Offering Memorandum and the Declaration of Trust;
- to make amendments which, in the opinion of the Trustees, are necessary or desirable as a result of changes in generally accepted accounting principles (including accounting guidelines) or taxation or other laws or the administration or enforcement thereof;
- to enable the Trust to issue Units for which the purchase price is payable in installments;
- to create one or more New Classes of Units, including classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the exchangeable shares, units or other securities are exchangeable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the Trust's property or income other than a return of capital; or
- for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) if the Trustees are of the opinion that the amendment is not prejudicial to Unitholders and is necessary or desirable;

but notwithstanding the foregoing, no such amendment shall modify the right to vote attached to any Unit or the entitlement to distributions from the Trust provided hereunder represented by any Unit without the consent of the Unitholders, and no such amendment shall reduce the percentage of votes required to be cast at a meeting of the Unitholders without the consent of the holders of all of the Units then outstanding or cause the Trust to fail or cease to qualify as a "mutual fund trust" under the Tax Act.

Subject to the above, no action or authorization and no amendment may be made to the Declaration of Trust by the Trustees with respect to:

- the termination of the Trust;
- any combination, merger, amalgamation or arrangement of the Trust or CFIT as the case may be, any sale of all or substantially all of the assets of the Trust, or CFIT, as the case may be, or the liquidation or dissolution of the Trust, or CFIT, as the case may be, (other than as part of an internal reorganization of the assets of the Trust or CFIT, as the case may be, as approved by the Trustees);
- a change to the provisions of Section 4.1 (Investment Guidelines) of the Declaration of Trust;
- the provisions of the Declaration of Trust (CFIT) concerning the computation of net income;
- an exchange, reclassification or cancellation of all or part of the Units other than as specifically provided for in the Declaration of Trust;
- the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units and, including, without limiting the generality of the foregoing:
  - (i) the removal or change of rights to distributions;
  - (ii) the addition or removal of or change to conversion privileges, options, voting, transfer or pre-emptive rights;
  - (iii) the reduction or removal of a distribution preference or liquidation preference;
- the creation of new rights or privileges attaching to certain of the Units; or
- the constraint on the issue, transfer or ownership of Units or the change or removal of such constraint, except as otherwise provided herein;

except in each case with the approval of Unitholders given by the affirmative vote of at least two-thirds of the votes cast at a meeting of Unitholders duly called for that purpose, or, alternatively, a written resolution signed in one or more counterparts by at least two-thirds of Unitholders that would be entitled to vote at a meeting called for the purposes of approving such matter.

#### **TERMINATION OF CENTURION FINANCIAL TRUST**

Unless the Trust is sooner terminated at the discretion of the Trustees as otherwise provided by the Declaration of Trust, the Trust shall continue in full force and effect so long as any property of the Trust is held by the Trustees, and the Trustees shall have all the powers and discretions expressed and implied, conferred upon them by law or by the Declaration of Trust. The Trust may be terminated by the vote of at least two-thirds of the votes cast at a meeting of the Unitholders called for that purpose.

Upon the termination of the Trust, the liabilities of the Trust shall be discharged with as soon as commercially reasonable, the net assets of the Trust shall be liquidated and the proceeds distributed to the Unitholders in accordance with their entitlements as provided in the Declaration of Trust.

## **5.2 Subscription Procedure**

For a detailed summary of the subscription procedures, see “Subscription Procedure and Checklist”.

Where Units are being issued in reliance on the Offering Memorandum Exemption, the consideration will be held in trust pending the closing of the Offering (and in any event until midnight on the date that is



two business days following the date your completed and signed subscription documentation and funds are received by the Trust), which will occur on a date determined by the Trust. In the event that a closing does not occur in respect of a subscription, the Trust will return the subscription funds to the subscriber, without interest or deduction.

#### **EXCHANGE SUBSCRIPTIONS**

In order to provide current unitholders of Centurion REOT and Centurion Apartment REIT to have investment exposure to a more diverse and broader investment base, the Trust may, in its sole discretion, accept outstanding units of Centurion Apartment REIT and/or Centurion REOT ("**Exchange Units**") from time to time, from purchasers of Units as payment for the relevant subscription price of Units (each, an "**Exchange Subscription**"). It is solely designed to provide current unitholders of Centurion Apartment REIT and Centurion REOT with access to the Trust, a newly formed investment trust and its broader investment strategy. Management, at its discretion, will limit the dollar value and the availability of the exchange feature. Exchange Subscriptions will only be available on a fully-taxable basis. The Trust will agree to abide by the hold terms remaining on any units that are exchanged for Units of the Trust. In addition, the Trust will continue to honour and pay any trailer fees that are to be paid on units of Centurion Apartment REIT and Centurion REOT that are exchanged for Units of the Trust. Additional details with respect to the terms and conditions of, and the procedures under, an Exchange Subscription will be set out in the Subscription Agreement.

The Trust and each of Centurion Apartment REIT and Centurion REOT has entered into an agreement pursuant to which any class "A" units, class "F" units, and/or class "I" units of Centurion Apartment REIT and Centurion REOT acquired by Exchange Subscription may be exchanged with class "R" units of Centurion Apartment REIT and Centurion REOT, subject to the approval of Centurion Apartment REIT or Centurion REOT, respectively (the "**Unit Exchange Agreement**").

### **ITEM 6: INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY FOR INVESTMENT**

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

#### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Stikeman Elliott LLP, counsel to the Trust, provided that, at all times, the Trust qualifies as a "mutual fund trust" within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for a trust governed by a Registered Plan. In Specie Distributions received as a result of a redemption *in specie* of Units may not be qualified investments for Registered Plans, and this may give rise to adverse consequences to the Registered Plan or to the holder of or annuitant or beneficiary under that Registered Plan. Registered Plans that own Units should consult their own tax advisers before deciding to exercise the redemption rights attached to the Units.

Notwithstanding the foregoing, a penalty tax will apply if a Unit held in an RRSP, RRIF or TFSA is a "prohibited investment" under the Tax Act. The Units will generally not be a prohibited investments for these purposes provided that the annuitant of the RRSP or RRIF or the holder of the TFSA (as applicable) (i) deals at arm's length with the Trust for the purposes of the Tax Act and (ii) does not have a "significant interest" (within the meaning of subsection 207.01(4) of the Tax Act) in the Trust. In addition, the Units will generally not be a "prohibited investment" if the Units are "excluded property" as defined in the Tax Act for TFSAs, RRSPs, or RRIFs. Annuitants of an RRSP or RRIF and holders of a TFSA that hold Units in such Registered Plans should consult their own tax advisors in this regard.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to the Trust, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder. This summary is applicable to a Class A or Class F Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is or is deemed to be resident in Canada, deals at arm's length and is not affiliated with the Trust, and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them and every other "Canadian security" (within the meaning of the Tax Act) owned or subsequently owned by them treated as capital property by making an irrevocable election in accordance with the Tax Act. This summary does not apply to a Unitholder who enters into, or has entered into, a "derivative forward agreement" with respect to Units, as that term is defined in the Tax Act.

This summary is based on the current provisions of the Tax Act and the Regulations, counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"), the Tax Proposals and certificates of the Asset Manager as to certain factual matters. This summary assumes that the Tax Proposals will be enacted in the form currently proposed and does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Unitholder, and no representations with respect to the income tax consequences to any particular Unitholder are made. Accordingly, Unitholders should consult their own tax advisors for advice with respect to the income tax consequences of holding and disposing of Units based on their particular circumstances.

### *Status and Taxation of the Trust*

This summary is based on the assumption that the Trust will continue to qualify, at all times, as a "mutual fund trust" within the meaning of the Tax Act. In order to qualify as a mutual fund trust, the Trust must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units. If the Trust were not to qualify as a mutual fund trust, the income tax considerations described below would, in some respects, be materially different.

This summary is also based on the assumption that the Trust will at no time be a SIFT Trust. Provided that the Units are not listed or traded on a stock exchange or other "public market", as defined in the Tax Act, the Trust will not be subject to the SIFT Rules. See "Item 8: Risk Factors – Tax-Related Risks".

The Trust will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the taxation year less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the taxation year. The Trust intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each taxation year and therefore, the Trust does not generally expect to be liable in such taxation year for income tax under Part I of the Tax Act.

The Trust will be required to include in its income for a taxation year with respect to debt obligations held by the Trust all interest that accrues or is deemed to accrue to the Trust to the end of that taxation year, or that becomes receivable or is received by it before the end of that year, except to the extent that

such interest was included in the Trust's income for a preceding taxation year. Upon the actual or deemed disposition of a debt obligation, the Trust will be required to include in computing its income for the year of disposition all interest that accrued on such debt obligation from the last interest payment date to the date of disposition, except to the extent such interest was included in computing the Trust's income for that or another taxation year and such income inclusion will be excluded in computing the proceeds of disposition for purposes of computing any capital gain or capital loss.

One-half of the amount of any capital gain (a "taxable capital gain") realized by the Trust in a taxation year must be included in computing the Trust's income for the year, and one-half of the amount of any capital loss (an "allowable capital loss") realized by the Trust in a taxation year is required to be deducted against any taxable capital gains realized by the Trust in the year. Any excess of allowable capital losses over taxable capital gains for a taxation year may be deducted against taxable capital gains realized by the Trust in any of the three preceding taxation years or in any subsequent taxation year to the extent and under the circumstances described in the Tax Act.

In computing its income for tax purposes, the Trust may deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Tax Act.

The Trust will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the taxation year (a "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of the Trust for such taxation year.

## **TAXATION OF UNITHOLDERS**

### ***Distributions***

A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Trust's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year, whether paid in cash or additional Units. The non-taxable portion of the Trust's net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year will not be included in the Unitholder's income for the taxation year. Any other amount in excess of the Trust's net income for a taxation year paid or payable to a Unitholder in the taxation year will generally not be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and his or her adjusted cost base will be increased by the amount of such deemed gain. Any losses of the Trust for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

Provided that appropriate designations are made by the Trust, such portion of: (i) the net realized taxable capital gains of the Trust; and (ii) the taxable dividends, if any, received or deemed to be received by the Trust on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including the enhanced gross-up and dividend tax credit rules in respect of eligible dividends paid by taxable Canadian corporations.

### ***Disposition of Units***

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit to the Unitholder immediately before the disposition and any reasonable costs of disposition.

In general terms, the adjusted cost base to a Unitholder of newly acquired Units will be averaged with the adjusted cost base of all Units held by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution or as a reinvestment of a distribution of income or capital gains from the Trust will generally be equal to the amount of the distribution. If a Unitholder participates in a distribution reinvestment plan and acquires a Unit from the Trust at a price that is less than the fair market value of the Unit, it is the CRA's administrative position that the Unitholder must include the difference in income and increase the cost of such Unit by a corresponding amount. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units.

Any taxable capital gain realized on the disposition of Units in a taxation year will be included in the Unitholder's income and any allowable capital loss realized will be required to be deducted from taxable capital gains of the Unitholder for that taxation year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

Based on counsel's understanding of the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into Class A Units will not constitute a disposition of such Class F Units for the purposes of the Tax Act.

#### ***Alternative Minimum Tax***

In general terms, net income of the Trust paid or payable to a Unitholder that is designated as net realized taxable dividends from taxable Canadian corporations or as net realized taxable capital gains as well as taxable capital gains realized by Unitholders on the disposition of Units, may increase the Unitholder's liability for alternative minimum tax.

#### ***Tax Implications of the Trust's Distribution Policy***

The Fair Market Value per Unit will reflect any income and gains of the Trust that have accrued or have been realized but have not been made payable at the time Units are acquired. A Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Trust that accrued before the Units were acquired notwithstanding that such amounts may have been reflected in the price paid by the Unitholder for the Units. Since the Trust intends to make monthly distributions as described under "Item 4: Capital Structure – 4.1 Share Capital – Distribution Policy", the consequences of acquiring Units late in a calendar year will generally depend on the amount of monthly distributions throughout the year and whether one or more special distributions to Unitholders are necessary late in the calendar year to ensure that the Trust will not be liable for non-refundable income tax on such amounts under the Tax Act.

#### ***Taxation of Registered Plans***

Amounts of income and capital gains included in a Registered Plan's income are generally not taxable under Part I of the Tax Act, provided that the Units are qualified investments for the Registered Plan. See "Item 6: Income Tax Consequences and RRSP Eligibility For Investment – Eligibility for Investment". Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

## ITEM 7: COMPENSATION PAID TO SELLERS AND FINDERS

Applicable securities laws in certain jurisdictions prohibit a fee or commission from being paid to persons other than securities registrants in connection with sales made pursuant to the offering memorandum exemption in section 2.9 of NI 45-106. The Trust will not pay any commissions to persons to whom the Trust is not permitted to pay a commission, notwithstanding the purchase option selected by the Subscriber (as described below under “Purchase Options”).

The decision to offer the Units was made upon the recommendation of the Asset Manager. A portion of the proceeds of the Offering will be used by the Trust to pay the fees payable to the Asset Manager pursuant to the Asset Management Agreement. See “Item 2: Business of Centurion Financial Trust – 2.1 Structure – The Asset Manager’s Fees”.

### PURCHASE OPTIONS

The Trust has created four different purchase options for Subscribers to purchase Investor Units. Subscribers may purchase through a registered dealer or directly through the Asset Manager. Subscribers purchasing directly through the Asset Manager (Centurion Asset Management Inc.) may only purchase Class A Units under the DSC option. For the purposes hereof “Seller” means the registered dealer through which the Units are sold to the Subscriber and includes the Asset Manager where it acts as the dealer for a Subscriber’s purchase of Units.

Subscribers may elect to purchase Investor Units either direct from Centurion Asset Management Inc. (in the Provinces of Ontario, British Columbia, Québec and Alberta) or through another registered dealer. Unitholders may not switch their method of holding Units unless the Trustees believe, in their discretion, that it does not materially adversely impact the Trust and the Unitholder has been adequately informed of the implications of such switch.

### Class A Units

- 1) **Deferred Sales Charge (“DSC”) Option** – Seller receives an upfront commission of 5% and an ongoing trailer of 0.50% paid by the Trust per annum starting in year one for as long as the Subscriber remains invested. If the Subscriber redeems their Units prior to the fifth anniversary of their purchase, the following Deferred Sales Charges paid to the Trust will apply to the redemption by the Subscriber of their Units:

If Redeemed in 1 <sup>st</sup> Year	– 6.0%
If Redeemed in 2 <sup>nd</sup> Year	– 5.5%
If Redeemed in 3 <sup>rd</sup> Year	– 5.0%
If Redeemed in 4 <sup>th</sup> Year	– 4.0%
If Redeemed in 5 <sup>th</sup> Year	– 3.0%
Afterwards	0.0%

- 2) **Low Load Option** – Seller receives an upfront commission of 3% and an ongoing trailer of 0.75% paid by the Trust per annum starting in year one for as long as the Subscriber remains invested. There is a short term redemption fee paid to the Trust if the Subscriber redeems their Units early.

If Redeemed in 1 <sup>st</sup> 18 months	– 3.5%
If Redeemed in 2 <sup>nd</sup> 18 Months	– 3.0%

- 3) **Front Load Option** – Seller negotiates a commission (if any) which the Subscriber pays directly to the Seller and the Seller receives a trailer of 1.00% paid by the Trust per annum starting in year one. There is a short term trading fee paid to the Trust of 3.0% if redeemed in the first 6 months.

Notwithstanding the different upfront and ongoing trailer commissions with respect to each purchase option for the Class A Units, such commissions are borne by all holders of Class A Units. However, the Asset Manager believes that the long-term effective cost of raising capital for the Trust under each purchase option for the Class A Units is economically equivalent.

#### **Class F Units**

- 4) Fee Based Accounts Option** – No commission and no trailers is paid by the Trust. Only Fee Based Accounts may qualify for this purchase option. There is a short term trading fee of 3.0% if redeemed in the first 6 months.

#### **Class I Units**

- 5) Institutional Option** – No commission and no trailer is paid by the Trust. The Asset Manager or the Trust, may in some circumstances pay a negotiated trailer to the advisor, if there is an advisor. There is a short term trading fee of 3.0% if redeemed in the first 6 months.

### **ITEM 8: RISK FACTORS**

There are certain risk factors inherent in an investment in the Units and in the activities of the Trust, including the following, which Subscribers should carefully consider before subscribing for the Units. Although investments made by the Trust will be carefully chosen by the Asset Manager and approved by the Investment Committee or the Trustees, there is no representation made by the Trustees or the Asset Manager that such investments will have a guaranteed return to Unitholders or that losses will not be suffered by the Trust from such investments. This Offering is not suitable for investors who cannot afford to assume significant risks in connection with their investments.

#### **SPECULATIVE INVESTMENT**

**AN INVESTMENT IN THE TRUST MAY BE DEEMED SPECULATIVE AND IS NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM. THERE IS NO ASSURANCE THAT DISTRIBUTIONS WILL BE PAID. A SUBSCRIPTION FOR UNITS SHOULD BE CONSIDERED ONLY BY PERSONS FINANCIALLY ABLE TO MAINTAIN THEIR INVESTMENT AND WHO CAN BEAR THE RISK OF LOSS ASSOCIATED WITH AN INVESTMENT IN THE TRUST. INVESTORS SHOULD REVIEW CLOSELY THE INVESTMENT OBJECTIVE, STRATEGIES AND RESTRICTIONS TO BE UTILIZED BY THE TRUST AS OUTLINED HEREIN TO FAMILIARIZE THEMSELVES WITH THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE TRUST, INCLUDING THOSE SPECIFIED IN THIS ITEM 8: RISK FACTORS.**

#### **CRITICAL ESTIMATES, ASSUMPTIONS AND JUDGMENTS**

The preparation of financial statements as per IFRS requires the Trust to make judgments, assumptions and estimates that affect the reported amounts in the consolidated financial statements. Actual results could differ from these estimates. Financial statement carrying values, in addition to other factors (as described under “Item 4: Capital Structure – 4.1 Share Capital – Valuation Policy”), serve as the basis for the calculation of the Fair Market Value of Units. For example, the Trust takes into account the anticipated increase in equity investments when calculating their carry value, a practice which involves numerous assumptions and uncertainty. If such carrying values should prove to be incorrect, the Fair Market Value of the Units could be different. To the extent that the carrying values or critical estimates, assumptions and judgments are inaccurate, and given that investment portfolio values are calculated quarterly on a lagging basis, the Posted Price per Unit in any given month may be understated or overstated as the case may be. In light of the foregoing, there is a risk that a Unitholder who redeems all or part of its Units will be paid an amount less than it would otherwise be paid if the critical estimates,

assumptions and judgments were different, or if the calculation of property values was not calculated on a quarterly basis and thus potentially lagging the market. Similarly, there is a risk that such Unitholder might, in effect, be overpaid if the actual Fair Market Value is lower than the calculated Fair Market Value. In addition, there is a risk that an investment in the Trust by a new Unitholder (or an additional investment by an existing Unitholder) could dilute the value of such investments for the other Unitholders if the Posted Price of the Units is higher than the actual Fair Market Value of the Units. Further, there is a risk that a new Unitholder (or an existing Unitholder then makes an additional investment) could pay more than it might otherwise have paid if the actual Fair Market Value of the Units is lower than the Posted Price. The Trust does not intend to adjust the Fair Market Value of the Trust retroactively.

As set forth in the definitions of “Fair Market Value”, the value of the Units is determined by the Trustees, at their sole discretion, using reasonable methods of determining fair market value. Fair Market Value of the Units may or may not be equal to the net asset value of the Units. The description of the methodology of investment portfolio valuations and the calculation of Fair Market Value and Posted Prices of Units reflects the methodology used by the Trustees as at the date hereof in calculating Fair Market Value. The Trustees may, in their discretion, adopt alternative methodologies to calculate Investment values and Fair Market Value from time to time, such as obtaining independent appraisals, which the Trust does not currently receive, without notice to, or approval by, Unitholders. Such alternative methodologies may present the same or additional risks.

#### **RISKS RELATED TO DEFAULTS OF LOAN EXTENSIONS**

The Trust may invest in speculative loans that may default. The Asset Manager may from time to time deem it appropriate to extend or renew the term of an Investment loan past its maturity, or to accrue the interest on an Investment, in order to provide the borrower with increased repayment flexibility. The Asset Manager generally will do so if it believes that there is a relatively low risk to the Trust of not being repaid the full principal and interest owing on the loan. In these circumstances, however, the Trust is subject to the risk that the principal and/or accrued interest of such loan may not be repaid in a timely manner or at all, which could impact the cash flows of the Trust during and after the period in which it is granting this accommodation. Further, in the event that the valuation of the asset has fluctuated substantially due to market conditions, there is a risk that the Trust may not recover any of the principal and interest owed to it in respect of such loan.

When an Investment loan is extended past its maturity, the Investment can either be held over on a month-to-month basis, or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the Investment Advisor has the ability to exercise its enforcement remedies in respect of the extended or renewed loan. Exercising enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Trust during the period of enforcement. In addition, as a result of potential declines in security values and other factors, there is no assurance that the Trust will be able to recover all or substantially all of the outstanding principal and interest owed to it in respect of such loans by the Investment Advisor’s exercise of enforcement remedies for the benefit of the Trust. Should the Trust be unable to recover any portion of the principal and interest owed to it in respect of such loans, the assets of the Trust would be reduced, and the returns, financial condition and results of operations of the Trust could be adversely impacted.

#### **DEBT FINANCING**

If the Trust enters into an operating credit facility, the Trust will be subject to the risks associated with debt financing, including the risk that the Trust may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be

refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness. A portion of any such operating credit facility may be at floating interest rates, and accordingly, changes in short-term borrowing could affect the Trust's costs of borrowing. The total indebtedness of the Trust, including amounts drawn under an acquisition facility, is limited to no more than 75% of the Gross Book Value, provided that indebtedness shall exclude any obligations of the Trust under or arising out of mortgage transactions (including any obligations to purchase mortgage or Investments on demand).

#### **RISKS RELATED TO PORTFOLIO COMPANIES**

The Trust will be dependent on the operations, assets and financial health of its Portfolio of companies in which it has made Investments ("**Portfolio Companies**"). The Trust's ability to pay distributions, to satisfy its debt service obligations, if any, and to pay its operating expenses is dependent on the payments received from its Portfolio Companies. Accordingly, to the extent that the financial performance of a Portfolio Company declines, cash payments to the Trust may decline. The failure of any material Portfolio Company to fulfill its payment obligations to Trust could materially adversely affect the Trust's financial condition and cash flows. There is a risk that some liabilities or other matters that are not identified by the Trust could have a material adverse effect on a Portfolio Company and the Trust.

There is generally no publicly available information, including audited or other financial information about the Trust's Portfolio Companies and the boards of directors and management of these companies are not subject to the same governance and disclosure requirements applicable to Canadian public companies. Therefore, the Trust relies on its management, the Asset Manager and other third party service providers to investigate Portfolio Companies. There can be no assurance that the Trust's due diligence efforts or ongoing monitoring procedures will uncover all material information about privately held Portfolio Companies necessary to make fully informed decisions. In addition, the Trust's due diligence and monitoring procedures will not necessarily result or ensure that an investment will be successful.

Numerous factors may affect the ability of a Portfolio Company to service its payment obligations to the Trust, including, without limitation: the failure to meet its business plan; regulatory or other changes affecting its industry; integration issues with respect to acquisitions or new business lines; a downturn in its industry; negative general economic conditions; supply chain disruptions; disputes, or changes in arrangements, with customers or suppliers; and working capital and/or cash flow management issues. Deterioration in a Portfolio Company's financial condition and prospects may be accompanied by a material reduction in the payments received by the Trust.

Certain of the Investments that may be included in the Portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the applicable Portfolio Companies.

#### **INVESTMENTS IN LESS ESTABLISHED COMPANIES**

The Trust may make Investments in less established Portfolio Companies. Investments in such companies may involve greater risks than are generally associated with investment in more established companies. The securities of such companies, if publicly listed, may be subject to more abrupt and erratic market price movements than larger, more established companies, since trading volumes for their securities are generally quite low. Less established companies tend to have smaller capitalizations and fewer resources and, therefore, are often more vulnerable to financial failure and have shorter operating histories on which to judge future performance.

#### **AVAILABILITY OF INVESTMENTS AND COMPETITION**

The success of the Trust will depend on the availability of appropriate Investment opportunities and the ability of the Trust to identify, underwrite, close and realize repayment from those Investments. There



can be no assurance that there will be a sufficient number of suitable Investment opportunities to enable the Trust to satisfy the Trust's investment short or long-term objectives. The identification of attractive Investment opportunities is difficult and involves a high degree of uncertainty. The Trust will compete with individuals, corporations, trusts and financial institutions (both Canadian and foreign) for Investments. A number of these investors may have greater financial resources than the Trust or operate without the investment or operating guidelines of the Trust, thus having greater flexibility when investing. An increase in the availability of funds for Investments may increase the competition for Investments, thereby decreasing the yields that are currently available and increasing the risk/reward ratio. Additionally, new competitors may enter the Canadian alternative financing market or current market participants may significantly increase their activities in this area. There is no guarantee that the Trust will be able to compete effectively with such competitors in the origination of new Investments.

#### **ILLIQUID AND LONG TERM INVESTMENTS**

Investments made by the Fund may take several years from the date of the initial investment to reach a state of maturity and realization of value can be achieved. It is anticipated that there will generally not be a public market for all or a substantial portion of the Investments held by the Trust at the time of their acquisition.

#### **MONITORING, ENFORCEMENT AND LIQUIDATION PROCEDURES**

From time to time, the Trust will be required to take enforcement proceedings with respect to non-performing Investments and may be required to liquidate a Portfolio Company's assets where such Investment was secured. Enforcement and liquidation proceedings can be time consuming and, if a sufficient number of Investments require enforcement, management's attention may be diverted from the day-to-day operations or from pursuing its growth strategy and the Trust may incur significant expenses that cannot be recovered.

In connection with managing and monitoring the Portfolio, the Trust has a "watch list" system whereby a Portfolio Company with a deteriorating financial condition, or that otherwise meets certain criteria, is closely monitored by the Trust with a view to the Trust taking a proactive approach to ensuring the Portfolio Company's compliance with the terms and obligations of its Investment and managing the risk of default. There can be no assurance that the Trust's watch list procedures will successfully identify Portfolio Companies at risk of defaulting on, or failing to comply with, their obligations, or that enhanced scrutiny by the Trust of borrowers on the watch list will be sufficient to prevent a Portfolio Company's default on its obligations.

At any given time Investments in Portfolio Companies, including but not necessarily limited to those placed on a watch list by management, may represent a risk of a loss to the Trust. Such situations could arise where the value of the collateral, if any, of a Portfolio Company falls below the outstanding Investment balance, or where a Portfolio Company has otherwise failed to comply with its obligations. In appropriate cases, management will take a specific loss provision to reflect the potential loss on the Investment that could be expected through a workout situation or a liquidation scenario. Portfolio Companies on the watch list or Investments subject to a loss provision may be, and often are, still performing for the Trust with respect to their contractual monthly interest payments.

Each Portfolio Company is expected to provide certain representations and warranties and covenants to the Trust regarding its business and certain other matters. Following a transaction with the Trust, the Portfolio Company may distribute all or a substantial portion of the proceeds that it receives from the Trust to its security holders or owners. In the event that the Trust suffers any loss as a result of a breach of the representations and warranties or non-compliance with any other term of an agreement with a Portfolio Company, the Trust may not be able to recover the amount of our entire loss from the Portfolio Company. The Portfolio Company may not have sufficient assets to satisfy the Trust's loss. In addition,

the Trust's rights and remedies in the event of a default are generally subordinated to a Portfolio Company's senior lenders, if any, which can limit the Trust's ability to recover any losses from a Portfolio Company.

#### INVESTMENT WAREHOUSE ARRANGEMENTS

The Trust may own certain rights to Warehoused Investments pursuant to the Warehouse Agreements. The Warehouse Agreements provide the Trust with a facility to fund the purchase of additional Investments. For such time as the applicable Warehouse Lender is the beneficial owner of the Warehoused Investments, the Trust has no rights to such Warehoused Investments, but is fully-exposed to the related downside risks by virtue of the applicable Warehouse Lender's unrestricted option to immediately sell any Warehoused Investments that have been noted in default or that have otherwise experienced a negative credit or other event, as set out in their respective Warehouse Agreement. There is no guarantee that the applicable Warehouse Lender will accept the warehousing of any particular Investment and the applicable Warehouse Lender may terminate their respective Warehouse Agreement on six (6) months' prior written notice. See also "Item 8: Risk Factors – Potential Conflicts of Interest".

#### POTENTIAL CONFLICTS OF INTEREST

The Trust may be subject to various conflicts of interest because the Trustees and senior officers of the Trust, senior officers of the Asset Manager, and the Investment Advisor are each engaged in a wide range of real estate, mortgage investments, lending and other business activities. The Trust may become involved in transactions which conflict with the interests of one or more of the foregoing individuals and/or entities.

The Trustees may from time to time deal with persons, firms, institutions or corporations with whom the Trust may be dealing, or that may be seeking Investments similar to those desired by the Trust. The interests of these persons could conflict with those of the Trust. In addition, from time to time, these persons may be competing with the Trust for available investment opportunities.

The Asset Manager, the Investment Advisor and the Mortgage Servicer (collectively, the "**Service Providers**") are not owned by the Trust but are related by common management and personnel to the Trust. This could create conflicts of interest between any of the Service Providers and the Trust.

The Service Providers' services are not exclusive to the Trust, as each Service Provider provides services to several other clients. In particular, the Asset Manager also provides similar services to Centurion Apartment REIT and Centurion REOT. Centurion Apartment REIT and Centurion REOT and the Trust each operate independently from one another and have separate boards of trustees, with Mr. Gregory Romundt serving as Trustees for Centurion Apartment REIT, Centurion REOT and the Trust and Mr. Stephen Stewart serving as Trustee for Centurion REOT and the Trust. Although Mr. Kenneth Miller serves as a trustee of both Centurion REOT and the Trust, he is otherwise independent of the Asset Manager and its affiliates.

Additionally, the Warehouse Agreements between the Trust and Warehouse Lenders and the arrangements thereunder may give rise to certain conflicts of interest, including with respect to (i) any Property Purchase Options or Property Offer Options (and the valuation and transfer thereof), (ii) the valuation and transfer of Warehoused Investments between the Trust and the applicable Warehouse Lender, and (iii) the allocation of risk as between the Trust and the applicable Warehouse Lender. The Asset Manager will follow procedures established by the Board of Trustees that are designed to ensure an appropriate allocation of risk under the Warehouse Agreements and related arrangements.

The Trust is a connected issuer, and may be considered to be a related issuer, of Centurion Asset Management Inc., its asset manager and an exempt market dealer and investment fund manager in

certain jurisdictions, in connection with the distribution of the Units hereunder, which may result in potential conflicts of interest. The Trust is a connected issuer of the Asset Manager due to the factors described in this Offering Memorandum under “Item 2: Business of Centurion Financial Trust – 2.1 Structure – Relationship between the Trust, the Asset Manager and Affiliates of the Asset Manager”, and in particular, as a result of the fact that the President of each of the Trust and the Asset Manager, namely Mr. Gregory Romundt, are the same and Mr. Gregory Romundt and his family beneficially own all of the shares of the Asset Manager and its affiliates, including the Investment Advisor and the Loan Servicer. The Trust has retained the Asset Manager to provide asset management services to it pursuant to the Asset Management Agreement as described under “Item 2: Business of Centurion Financial Trust – 2.1 Structure – Asset Manager’s Duties” and the Trust has agreed to pay the Asset Manager the fees described herein. The Trust may be considered to be a related issuer of the Asset Manager by virtue of the Asset Manager’s right, during the term of the Asset Management Agreement, to appoint a prescribed number of nominees to the board of trustees of the Trust as more particularly described under “Item 2: Business of Centurion Financial Trust – 2.1 Structure – Trustees”. The prescribed number of nominees that the Asset Manager is entitled to appoint varies depending on the size of the board of trustees, but the prescribed number exceeds 20% of the number of trustees. In addition, the Asset Manager is the asset manager of, and adviser to, Centurion Apartment REIT, which owns Class R Units of the Trust as set out herein. See “Item 2: Business of Centurion Financial Trust – 2.1 Structure – Relationship between the Trust, the Asset Manager and Affiliates of the Asset Manager”.

#### **ALLOCATION OF INVESTMENT OPPORTUNITIES**

There may be instances in which the Trust, Centurion Apartment REIT and Centurion REOT all have an interest in the same investment opportunity. For example, Centurion Apartment REIT may invest in long term real-estate properties and the Trust and Centurion REOT may from time to time invest in Mortgage Assets. In the event that the Trust, Centurion Apartment REIT and Centurion REOT are all interested in pursuing the same investment opportunity, the Asset Manager will seek to allocate investment opportunities on a basis which it determines to be fair and reasonable. However, there is no requirement that the Asset Manager allocate investment opportunities on a pro-rata basis among the Trust, Centurion Apartment REIT and Centurion REOT. Additionally, there may be situations where an investment opportunity is allocated to Centurion Apartment REIT or Centurion REOT despite the Trust having an interest in such an investment opportunity.

#### **AVAILABILITY OF CASH FOR DISTRIBUTIONS**

There can be no assurance that the Trust will be able to achieve its distribution targets or that the Trust will make any distributions in any particular month. Distributable income is calculated before deducting items such as principal repayments and capital expenditures and, accordingly, may exceed actual cash available to the Trust from time to time. The Trust may be required to use part of its debt capacity or raise additional equity in order to accommodate such items, and there can be no assurance that funds from such sources will be available on favourable terms or at all. In such circumstances, distributions may be reduced or suspended. Accordingly, cash distributions are not guaranteed and cannot be assured. Further, Distributable Income can exceed net income and have the result of an erosion of Adjusted Unitholder’s Equity. See “Item 4: Capital Structure – 4.1 Share Capital – Distribution Policy”.

Distributable Income is calculated in accordance with the Declaration of Trust. Distributable Income is not a measure recognized under Canadian generally accepted accounting principles and does not have a standardized meaning prescribed by IFRS. Distributable income is presented herein because management of the Trust believes this non-IFRS measure is a relevant measure of the ability of the Trust to earn and distribute cash returns to Unitholders. Distributable Income as computed by the Trust may differ from similar computations as reported by other similar organizations and, accordingly, may not be comparable to distributable income as reported by such organizations. Distributable income is calculated by reference

to the net income of the Trust on a consolidated basis, as determined in accordance with IFRS, subject to certain adjustments as set out in the constating documents of the Trust.

#### **POTENTIAL INABILITY TO FUND INVESTMENTS**

The Trust is dependent on its ability to secure funding for its Investments and to fund its commitments. The Trust may commit to making future Investments in anticipation of warehousing such Investments under the Warehouse Agreements, repayment of principal outstanding and/or the payment of interest under existing investments and/or in reliance on its credit facilities, if any. In the event that such investments are not accepted under the Warehouse Agreement, repayments of principal or payments of interest are not made, or where credit facilities aren't available, the Trust may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may be required to obtain interim financing and to fund such commitments or face liability in connection with its failure to make such advances.

#### **RESTRICTIONS ON POTENTIAL GROWTH AND RELIANCE ON CREDIT FACILITIES**

The payout by the Trust of a substantial part of its operating cash flow could adversely affect the Trust's ability to grow unless it can obtain additional financing. Such financing may not be available, or renewable, on attractive terms or at all. In addition, if current credit facilities were to be cancelled or could not be renewed at maturity on similar terms, the Trust could be materially and adversely affected.

#### **LIQUIDITY OF UNITS AND REDEMPTION RISK**

The Units are not listed on an exchange. There is currently no secondary market through which the Units may be sold, there can be no assurance that any such market will develop and the Trust has no current plans to develop such a market or to list the Units on an exchange. Accordingly, it is expected that the sole method of liquidation of an investment in Units will be by way of redemption of the Units. Aggregate cash redemptions are limited to \$50,000 per month unless approved by the Board of Trustees or in respect of Class R Units held by Centurion Apartment REIT and/or Centurion REOT. Accordingly, in the event that the Trust experiences a large number of redemptions, the Trust may not be able to satisfy all of the redemption requests in cash or *in specie*. Depending upon the Purchase Option selected and the amount of time the Units have been held, there may be a Deferred Sales Charge or Short Term Trading Fee associated with an early redemption (see "Item 5: Securities Offered - 5.1 Terms of Securities - Description of the Units").

#### **BROAD INVESTMENT MANDATE**

The Trust does not have any specific limits on making investments in any one industry or geographical jurisdiction. The Management may alter the target Investments of the Trust from time to time without the prior approval by Unitholders if the Management determines it advantageous for the Trust, provided such actions are consistent with the Investment Guidelines.

#### **TAX RELATED RISKS**

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Trust or the Unitholders.

If the Trust fails or ceases to qualify as a mutual fund trust for the purposes of the Tax Act, the tax consequences described under "Item 6: Tax Consequences and RRSP Eligibility For Investment - Canadian Federal Income Tax Considerations" and "Item 6: Tax Consequences and RRSP Eligibility For Investment - Eligibility for Investment" would in some respects be materially and adversely different. In addition, Unitholders may become subject to provincial taxes, such as Ontario Land Transfer Tax, in respect of their Units.

If investments in the Trust become publicly listed or traded for the purpose of the Tax Act, there can be no assurances that the Trust will not be subject to the SIFT Rules at that time. If the Trust were a SIFT Trust and therefore subject to SIFT Rules, to the extent that it earns “non-portfolio earnings,” as defined in the Tax Act, its Fair Market Value could be reduced and the tax consequences to the Trust and its Unitholders could be materially different.

The Tax Act contains loss restriction rules that could result in unintended tax consequences for unitholders, including an unscheduled allocation of income or capital gains that must be included in a unitholder’s income for Canadian income tax purposes. If the Trust experiences a “loss restriction event”, it will: (i) be deemed to have a year-end for Canadian tax purposes whether or not the Trust has losses (which would trigger an allocation of the Trust’s net income and net realized capital gains to unitholders to ensure that the Trust itself is not subject to tax on such amounts); and (ii) the Trust will become subject to the Canadian loss restriction rules that generally apply to corporations, including a deemed realization of any unrealized capital losses and disallowance of its ability to carry forward capital losses. Generally, the Trust will be subject to a loss restriction event if a person becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the Trust, as those terms are defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of a Trust is a beneficiary in the income or capital, as the case may be, of the Trust who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, as the case may be, of the Trust. A loss restriction event could occur because a particular unitholder or an affiliate acquires Units of the Trust or because another person redeems Units of the Trust.

Pursuant to paragraph 251.2(3)(f) of the Tax Act, the Trust will not be subject to the loss restriction event rules where a person becomes a “majority-interest beneficiary” or group of persons becomes a “majority-interest group of beneficiaries” from the acquisition or disposition of units of the Trust at any time if (i) the Trust is an “investment fund” immediately before that time, and (ii) the acquisition or disposition, as the case may be, is not part of a series of transactions or events that includes the Trust ceasing to be an “investment fund”. An “investment fund” generally includes a trust that is (i) a “mutual fund trust” throughout the period that begins the later of March 21, 2013 and the end of the calendar in which the trust is created, and (ii) at all times throughout the period that begins at the later of March 21, 2013 and the time of its creation, the trust (A) is resident in Canada, (B), all the beneficiaries under the trust hold fixed interests described by reference to units of the trust, (C) follows a reasonable policy of investment diversification, (D) limits its undertaking to the investing of its funds in property, (E) does not alone, or as a member of a group of persons, control a corporation, and (F) does not hold certain property (as detailed in the Tax Act).

Under U.S. withholding tax and reporting requirements, commonly referred to as the Foreign Account Tax Compliance Act (“**FATCA**”), the Trust is required to collect information from all of its Unitholders and directly or indirectly provide that information to the U.S. Internal Revenue Service (the “**IRS**”) in order to avoid a 30% U.S. withholding tax on the receipt of certain payments of : (1) U.S. source income (such as interest, dividends and other passive income) and (2) gross proceeds from the sale or disposition of property that can produce U.S. source interest or dividends made to the Trust. To achieve the U.S. objectives of FATCA in a manner that is consistent with Canada’s privacy and other laws, Canada enacted Part XVIII (“**Part XVIII**”) of the Tax Act and signed an Intergovernmental Agreement with the U.S. for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention (the “**Canada-U.S. IGA**”) and accordingly, the Trust is generally required to conduct due diligence regarding its Unitholders and (where applicable) their beneficial owners, and to annually report to the CRA certain information regarding their U.S. Unitholders, including information regarding their name, address, and U.S. Taxpayer Identification Number. The CRA has agreed to provide this information to the IRS.

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

If a Unitholder does not provide the information required to comply with these obligations under Part XVIII and/or Part XIX, as the case may be, the Unitholder’s Units may be redeemed at the sole discretion of the Trust without prior notice to such Unitholder. Notwithstanding the foregoing, the Trust’s due diligence and reporting obligations under FATCA and CRS will not apply with respect to the following type of accounts, namely: registered retirement savings plans, registered retirement income funds, pooled registered pension plans, registered pension plans, tax-free savings accounts, and deferred profit-sharing plans.

If the Trust fails to meet its obligations under Part XVIII and/or Part XIX, as the case may be, it may be subject to the offences and punishment of the Tax Act. The administrative costs arising from compliance with FATCA and CRS may cause an increase in the operating expenses of the Trust or other underlying fund(s) in which the Trust has invested, directly or indirectly, thereby reducing returns to Unitholders.

**Investors should consult their own tax advisors regarding the possible implications of FATCA, Part XVIII, the Canada-U.S. IGA and CRS and Part XIX on their investment and the entities through which they hold their investment.**

## **DILUTION**

The Trust is authorized to issue an unlimited number of Units. The Trustees have the discretion to issue additional Units in other circumstances, pursuant to the Trust’s various incentive plans. Any issuance of additional Units may have a dilutive effect on the holders of Units, whether through the Trust’s incentive plans, the DRIP or to new investors. Additional Units are generally issued at the Posted Price, which may be less than the net asset value of the Units, and such issuances may have a dilutive effect on the holders of Units.

Notwithstanding the different upfront and ongoing trailer commissions with respect to each purchase option for the Class A Units, such commissions are borne by all holders of Class A Units. To the extent that the Trust is responsible for the payment of compensation to securities dealers, including upfront and ongoing trailer commissions, the funds available to the Trust for investment purposes and distributions will be reduced. Such pooling of commissions amongst all holders of Class A Units may have a dilutive effect on certain holders of Class A Units.

## **NATURE OF UNITS**

The Units are not traditional equity investments and are not the same as shares of a corporation. As a result, Unitholders will not have the statutory rights and remedies normally associated with share ownership, including, for example, the right to bring “oppression” or “derivative” actions. 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. Each Unit represents an equal, undivided beneficial interest in the Trust.

## **LACK OF INDEPENDENT EXPERTS REPRESENTING UNITHOLDERS**

Each of the Trust and the Asset Manager has consulted with a single legal counsel regarding the formation and terms of the Trust and the offering of Units. Unitholders have not, however, been independently represented. Therefore, to the extent that the Trust, Unitholders or this offering could benefit by further independent review, such benefit will not be available. Each prospective investor should consult his or her own legal, tax and financial advisors regarding the desirability of purchasing Units and the suitability of investing in the Trust. No outside selling agent unaffiliated with the Asset Manager or its affiliates has made any review or investigation of the terms of the offering of Units, the structure of the Trust or the background of the Asset Manager or its affiliates.

## **REAL ESTATE SECURITIES**

The Trust may gain exposure to the real estate sector by investing in real estate-linked derivatives, real estate investment trust securities, and common, preferred, convertible, and debt securities of issuers in real estate-related industries. Each of these types of investments are subject to risks similar to those associated with direct ownership of real estate, including loss to casualty or condemnation, increases in property taxes and operating expenses, zoning law amendments, changes in interest rates, overbuilding and increased competition, variations in market value, and possible environmental liabilities.

## **CHANGES IN REAL PROPERTY VALUES**

Some of the Trust's Investments will be secured by real property, the value of which may fluctuate. The value of single family residential properties is affected by, among other factors, general economic conditions, local real estate markets, the attractiveness of the property and the level of supply and demand in the market for comparable properties.

A substantial decline in value of real property provided as security for a mortgage may cause the value of such real property to be less than the outstanding principal amount of the mortgage. In that case, and in the event the mortgage loan is uninsured, the Trust's realization on its security and its exercise of foreclosure or power of sale rights in respect of the relevant property might not provide the Trust with proceeds sufficient to satisfy the outstanding principal amount of, and interest owing, under the mortgage loan.

While independent appraisals are generally required before the Trust makes any mortgage investments, the appraised values provided, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain assumptions and conditions, including the completion of construction, rehabilitation, remediation or leasehold improvements on the real property providing security for the mortgage loan. There can be no assurance that these assumptions and conditions will be satisfied and if, and to the extent they are not satisfied, the appraised value may not be achieved. Even if such assumptions and conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

## **GENERAL ECONOMIC AND POLITICAL CONDITIONS**

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

## **FOREIGN INVESTMENT AND CURRENCY EXPOSURE**

As the Trust may hold assets not denominated in Canadian dollars, the fair market value of the Trust, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar relative to the Canadian dollar. The Trust may not be fully hedged or hedged at all and it is not intended that the distributions and income statements on the assets of the Trust will be hedged and accordingly no assurance can be given that the Trust will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Asset Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Trust if the Asset Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

## **EXCHANGE RATE FLUCTUATIONS**

The functional currency of the Trust will be Canadian Dollars. The value of the investments made by the Trust may fluctuate as a result of the impact of economic and political changes on currency rates.

## **ASSET ALLOCATION RISK**

The Trust's investment performance depends upon how its assets are allocated and reallocated. There is a risk that the Asset Manager may make less than optimal or poor asset allocation decisions. The Asset Manager employs an active approach to make opportunistic investments, but there is no guarantee that such investment techniques will produce the desired results. It is possible that the Asset Manager will focus on an investment that performs poorly or underperforms other investments under various market conditions.

## **JOINT ARRANGEMENTS**

The Trust may invest in, or be a participant in, joint arrangements and partnerships with third parties in respect of the Investments. A joint arrangement or partnership involves certain additional risks which could result in additional financial demands, increased liability and a reduction in the Asset Manager's control over the Investments and its ability to sell the Trust's interests in an Investment within a reasonable time frame.

## **INTEREST RATES**

The Trust's income will consist primarily of interest and other payments on the Investments comprising the Portfolio. If there is a decline in interest rates, the Trust may find it difficult to fund Investments with yields sufficient to achieve the Trust's investment objectives. Additionally, an increase in interest rates increase may negatively affect the value of the Investments in the Portfolio.

## **LITIGATION RISKS**

The Trust may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or in part. During litigation involving a counterparty in respect of an Investment, the Trust may not be receiving payments on the Investment that is the subject of litigation, thereby impacting the Trust's cash flows. The unfavourable resolution of any legal proceedings could have a material adverse effect on the Trust and its financial position and results of operations.



## **IMPAIRED LOANS AND NO INSURANCE**

The Trust may from time to time have one or more impaired loans in its Portfolio. Loans are impaired where full recovery is considered in doubt based on a current evaluation of the security held (if any) and for which specific loss provisions have been established. Any Investments that are secured by buildings and/or land will not generally be insured by a mortgage insurer in whole or in part.

## **NO GUARANTEES OR INSURANCE ON INVESTMENTS**

A borrower's obligations to the Trust or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof. In the event that security is given by the borrower or a third party or that a private guarantor guarantees the borrower's obligations, there is no assurance that such additional security or guarantee will be available or sufficient to make the Trust whole if and when resort is to be had thereto.

## **UNITHOLDER LIABILITY**

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with the holding of a Unit. In addition, legislation has been enacted in the Province of Ontario and certain other provinces and territories that is intended to provide Unitholders in those provinces and territories with limited liability. However, because of uncertainties in the law relating to investment trusts, there is a risk, which is considered by counsel to be remote in the circumstance, that a Unitholder could be held personally liable for obligations of the Trust (to the extent that claims are not satisfied by the Trust) in respect of contracts which the Trust enters into and for certain liabilities arising other than out of contracts including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause the Trust's operations to be conducted in such a way as to minimize any such risk including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of the Trust contain an express disavowal of liability against Unitholders.

## **DEPENDENCE ON KEY PERSONNEL**

In assessing the risk of an investment in the Units offered hereby, potential investors should be aware that they will be relying on the good faith, experience and judgment, Management, as well as the Asset Manager (and its affiliates) to manage the business and affairs of the Trust. The management of the Trust depends on the services of certain key personnel. The termination of employment of these key personnel could have a materially adverse effect on the Trust.

There is no guarantee that Management, the directors and officers of the Asset Manager (and its affiliates) or the Board of Trustees will remain unchanged. It is contemplated that Management and the Asset Manager (and its affiliates) will devote to the Trust's affairs only such time as may be reasonably necessary to conduct its business.

## **CYBER-SECURITY**

The Trust maintains confidential information regarding its borrowers, business plans, strategy and potential origination opportunities in its computer systems. The Trust also maintains an Internet website. Despite the implementation of network security measures, this infrastructure may be subject to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. A security breach of computer systems could disrupt operations, damage reputation, result in legal or regulatory liability, and/or have a material adverse effect on the Trust.

#### **LACK OF REGULATION**

Currently, there are no regulatory capital requirements on asset-based lenders that would impede their ability to extend credit, unlike the major commercial banks that are subject to the provisions of the *Bank Act* (Canada) and Basel III (the Third Basel Accord). Any changes to the regulation of the asset-based lending industry could have a material adverse effect on the Trust.

#### **LIMITED NUMBER OF INVESTMENTS**

The Trust may participate in a limited number of Investments. As such, the aggregate return of the Trust may be substantially adversely affected by the unfavourable performance of any single Investment.

#### **LACK OF OPERATING HISTORY**

Although persons involved in the management and advising of the Trust and the service providers to the Trust, including Management and personnel of the Asset Manager (and its affiliates), have had long experience in their respective fields of specialization, the Trust has no performing history upon which prospective investors can evaluate its performance. Investors should be aware that the past performance by those involved in the investment management of the Trust, including the past performance of Centurion Apartment REIT and Centurion REOT, should not be considered as an indication of future results.

#### **FAILURE OR UNAVAILABILITY OF COMPUTER AND DATA PROCESSING SYSTEMS AND SOFTWARE**

The Asset Manager and its affiliates are dependent upon the successful and uninterrupted functioning of its computer and data processing systems and software. The failure or unavailability of these systems could interrupt operations or materially impact the Asset Manager's and its affiliates' ability to collect revenues and make payments on behalf of the Trust and to manage risks. If sustained or repeated, a system failure or loss of data could negatively and materially adversely affect the ability of the Asset Manager and its affiliates to discharge their duties to the Trust and the impact on the Trust may be material and adverse.

### **ITEM 9: REPORTING OBLIGATIONS**

The Trust is not a "reporting issuer" under securities legislation of any jurisdiction. Accordingly, the Trust is not subject to the continuous disclosure obligations of reporting issuers. However, prior to each annual meeting (or annual and special meeting) of the Unitholders, the Trustees shall provide the Unitholders (along with the notice of such meeting) audited annual financial statements for the Trust and other reports and information as the Trustees may determine. Included with the audited annual financial statements of the Trust will be a notice of the Trust disclosing the use of the aggregate gross proceeds raised by the issuer in accordance with Form 45-106F16 under National Instrument 45-106 *Prospectus Exemptions*. All such notices and reports, if any, will be posted on the Trust's website at [www.ccenturion.ca](http://www.ccenturion.ca).

#### **LANGUAGE OF DOCUMENTS**

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

## **AUDITOR, TRANSFER AGENT AND REGISTRAR**

The auditor of the Trust is KPMG LLP. Investment Administration Solution Inc. is the transfer agent and registrar for the Trust.

## **ITEM 10: RESALE RESTRICTIONS**

The Units will be subject to a number of resale restrictions, including a restriction 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 applicable securities legislation. Unless permitted under securities legislation, you cannot trade the Units before the date that is 4 months and a day after the date the Trust becomes a reporting issuer in any province or territory of Canada.

For purchasers in Manitoba, unless permitted under securities legislation, you must not trade the Units without the prior written consent of the regulator in Manitoba unless:

- (a) 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
- (b) you have held the Units for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

The Trust is not a “reporting issuer”, as such term is defined under applicable Canadian securities laws, in any province or territory of Canada. Investors are advised that the Trust currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Units to the public in any province or territory of Canada in connection with this offering, nor does the Trust otherwise intend on becoming a reporting issuer. As it is not anticipated that the Trust will become a reporting issuer, the hold period for the Units may never expire and you will not be able to trade or re-sell your Units unless you comply with an exemption from the prospectus and registration requirements under applicable securities legislation. Accordingly, it is expected that the sole method of liquidation of an investment in Units will be by way of redemption of the Units.

## **ITEM 11: PURCHASER’S RIGHTS**

**If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.**

The following is a summary of the statutory or contractual rights of action for damages or rescission which may be available to a purchaser of Units. Applicable securities laws in certain jurisdictions provide purchasers, or require purchasers be provided, with remedies for rescission or damages, or both, if this Offering Memorandum or any amendment to it or any information or documents incorporated or deemed to be incorporated herein by reference contains a misrepresentation. However, these remedies must be exercised within the time limits prescribed. Purchasers should refer to the applicable legislative provisions for the complete text of these rights and/or consult with a legal advisor.

Any Offering Memorandum marketing materials related to the Offering and which are delivered or made reasonably available to a purchaser before the closing of that purchaser's subscription for Units are deemed to be incorporated by reference in this Offering Memorandum.

**TWO DAY CANCELLATION RIGHT**

If you are purchasing Units pursuant to the offering memorandum exemption contained in Section 2.9 of National Instrument 45-106 *Prospectus* Exemptions, you can cancel your agreement to purchase the Units offered pursuant to this Offering Memorandum. To do so, you must send a notice to the Asset Manager by midnight on the 2nd business day after you sign the subscription agreement to buy the Units.

**STATUTORY RIGHTS OF ACTION IN THE EVENT OF A MISREPRESENTATION**

See “APPENDIX A – RIGHTS OF ACTION FOR DAMAGES OR RESCISSION”.

**CONTRACTUAL RIGHTS OF ACTION IN THE EVENT OF A MISREPRESENTATION**

See “APPENDIX A – RIGHTS OF ACTION FOR DAMAGES OR RESCISSION”.

**ITEM 12: FINANCIAL STATEMENTS**

The following financial statements are attached as “APPENDIX B – FINANCIAL STATEMENTS”:

Date: January 27, 2017

**ITEM 13: OFFERING MEMORANDUM CERTIFICATE**

TO: Each applicable purchaser of trust units (the “Units”) issued by Centurion Financial Trust (the “Trust”)

This Offering Memorandum does not contain a misrepresentation. This Certificate is provided solely to those purchasers purchasing Units of the Trust pursuant to the exemption contained in section 2.9 of National Instrument 45-106 *Prospectus Exemptions*.

**CENTURION ASSET MANAGEMENT INC.**

As promoter and on behalf of  
**CENTURION FINANCIAL TRUST**

\_\_\_\_\_  
(Signed) Gregory G. Romundt  
Gregory G. Romundt  
President and Chief Executive Officer

\_\_\_\_\_  
(Signed) Robert Orr  
Robert Orr  
Chief Financial Officer and Chief Compliance Officer

**CENTURION FINANCIAL TRUST**

By its Board of Trustees

\_\_\_\_\_  
(Signed) Gregory G. Romundt  
Gregory G. Romundt  
Trustee

\_\_\_\_\_  
(Signed) Daryl Boyce  
Daryl Boyce  
Trustee

\_\_\_\_\_  
(Signed) Stephen Stewart  
Stephen Stewart  
Trustee

\_\_\_\_\_  
(Signed) Kenneth Miller  
Kenneth Miller  
Trustee

\_\_\_\_\_  
(Signed) Donna Parr  
Donna Parr  
Trustee

\_\_\_\_\_  
(Signed) Graham McBride  
Graham McBride  
Trustee

\_\_\_\_\_  
(Signed) Michael LeClair  
Michael LeClair  
Trustee

## APPENDIX A

### RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Securities legislation in certain of the Canadian provinces provides purchasers of securities pursuant to an offering memorandum (such as this Offering Memorandum) with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment to it contains a "Misrepresentation". Where used herein, "**Misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. A "**material fact**" means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the Units. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.

#### Ontario

Section 130.1 of the *Securities Act* (Ontario) provides that every purchaser of securities pursuant to an offering memorandum (such as this Offering Memorandum) shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a Misrepresentation. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;
- (b) the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon;
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (a) the issuer will not be liable for a Misrepresentation in forward-looking information if the issuer proves:
  - (i) that the offering memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (ii) the issuer has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than:

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

This Offering Memorandum may be delivered in reliance on the exemption from the prospectus requirements contained under section 73.3 of the *Securities Act* (Ontario) (the “**accredited investor exemption**”). The rights referred to in section 130.1 of the *Securities Act* (Ontario) do not apply in respect of an offering memorandum (such as this Offering Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

- (a) a Canadian financial institution or a Schedule III bank (each as defined in NI 45-106);
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

## Saskatchewan

Section 138 of The *Securities Act*, 1988 (Saskatchewan), as amended (the “**Saskatchewan Act**”) provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a Misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it is deemed to have relied upon that Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for rescission against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

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

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

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

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- (a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered;
- (b) after the filing of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in the offering memorandum or the amendment to the offering memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable general notice of the person's or company's withdrawal and the reason for it;
- (c) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or
- (d) A person or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum is not liable for damages or rescission as provided in 138(1) or 138(2) of the Saskatchewan Act if that person can establish that he, she or it cannot reasonably be expected to have had knowledge of any Misrepresentation in the offering memorandum or the amendment or the offering memorandum.

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



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

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a Misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, a right of action for damages against the individual who made the verbal statement without regard to whether the purchaser relied on the Misrepresentation.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was required by Section 80.1 of the Saskatchewan Act to be sent or delivered but not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

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

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

The Saskatchewan Act also provides that a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

## **New Brunswick**

Section 150 of the *Securities Act* (New Brunswick) provides that where an offering memorandum (such as this Offering Memorandum) contains a Misrepresentation, a purchaser who purchases securities shall be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase and:

- (a) the purchaser has a right of action for damages against, among others, the issuer and any selling security holder(s) on whose behalf the distribution is made,

- (b) every person who was a director of the issuer at the date of the offering memorandum, and every person who signed the offering memorandum, or
- (c) where the purchaser purchased the securities from a person referred to in paragraph (a), the purchaser may elect to exercise a right of rescission against the person referred to in that paragraph, in which case the purchaser shall have no right of action for damages against the person.

This statutory right of action is available to New Brunswick purchasers whether or not such purchaser relied on the Misrepresentation. However, there are various defences available to the issuer and the selling security holder(s). In particular, no person will be liable for a Misrepresentation if such person proves that the purchaser purchased the securities with knowledge of the Misrepresentation when the purchaser purchased the securities. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the offering memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence an action for rescission within 180 days after the date of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of:

- (a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or
- (b) six years after the date of the transaction that gave rise to the cause of action.

## **Nova Scotia**

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia). Section 138 of the *Securities Act* (Nova Scotia) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), together with any amendment thereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains a Misrepresentation, the purchaser will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date on which the initial payment was made for the securities;
- (b) no person or company will be liable if the person or company proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, no person or company will be liable for all or any portion of the damages that the person or company proves do not represent the

depreciation in value of the securities as a result of the Misrepresentation relied upon;  
and

- (d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum or amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- (b) after delivery of the offering memorandum or amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in the offering memorandum or amendment to the offering memorandum the person or company withdrew the person's or company's consent to the offering memorandum or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum or amendment to offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

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

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

### **British Columbia**

The right of action for damages or rescission described herein is conferred by section 132.1 of the *Securities Act* (British Columbia). Section 132.1 of the *Securities Act* (British Columbia) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), contains a Misrepresentation, the purchaser will be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase, and the purchaser has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of

rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, provided that, among other limitations:

- (a) no person will be liable if the person proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (b) in the case of an action for damages, no person will be liable for all or any portion of the damages that the person proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable notice to the issuer that it was delivered without the person's or company's knowledge or consent;
- (b) on becoming aware of the Misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, an expert's report, opinion or statement.

Further, where a Misrepresentation is contained in an offering memorandum, the directors of the issuer, and every person or company who signed the offering memorandum, shall not be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert or not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company did not conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation.

A person is not liable for Misrepresentation in forward-looking information if the person proves that the document containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

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

Section 140 of the *Securities Act* (British Columbia) provides that no action shall be commenced to enforce these rights more than:

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

## **Manitoba**

The right of action for damages or rescission described herein is conferred by section 141.1 of *The Securities Act* (Manitoba). Section 141.1 of *The Securities Act* (Manitoba) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), contains a Misrepresentation, the purchaser will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no person or company will be liable if they prove that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (b) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (d) the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company promptly gave reasonable notice to the issuer that it was delivered without the person's or company's knowledge or consent;
- (e) after delivery of the offering memorandum and after becoming aware of the Misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
- (f) with respect to any part of the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, an expert's report,

opinion or statement, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, an expert's report, opinion or statement.

Further, where a Misrepresentation is contained in an offering memorandum, the directors of the issuer, and every person or company who signed the offering memorandum, shall not be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation.

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

Section 141.4(2) of *The Securities Act* (Manitoba) provides that no action shall be commenced to enforce these rights more than:

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

### **Newfoundland and Labrador**

The right of action for damages or rescission described herein is conferred by section 130.1 of the *Securities Act* (Newfoundland and Labrador). Section 130.1 of the *Securities Act* (Newfoundland and Labrador) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), contains a Misrepresentation, without regard to whether the purchaser relied upon the Misrepresentation, the purchaser has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (b) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and

- (c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (d) the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company promptly gave reasonable notice to the issuer that it was delivered without the person's or company's knowledge or consent;
- (e) after becoming aware of the Misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
- (f) with respect to any part of the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, an expert's report, opinion or statement.

Further, where a Misrepresentation is contained in an offering memorandum, the directors of the issuer, and every person or company who signed the offering memorandum, shall not be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation.

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

Section 138 of the *Securities Act* (Newfoundland and Labrador) provides that no action shall be commenced to enforce these rights more than:

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

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

#### **Prince Edward Island, Yukon, Nunavut and the Northwest Territories**

In Prince Edward Island the *Securities Act* (PEI), in Yukon, the *Securities Act* (Yukon), in Nunavut, the *Securities Act* (Nunavut) and in the Northwest Territories, the *Securities Act* (Northwest Territories) provides a statutory right of action for damages or rescission to purchasers resident in PEI, Yukon,

Nunavut and the Northwest Territories respectively, in circumstances where this Offering Memorandum or an amendment hereto contains a misrepresentation, which rights are similar, but not identical, to the rights available to Newfoundland and Labrador purchasers.

## Québec

Notwithstanding that the *Securities Act* (Quebec) does not provide, or require the Trust to provide, to purchasers resident in Quebec, any statutory rights of action in circumstances where this Offering Memorandum or an amendment hereto contains a Misrepresentation, the Trust hereby grants to such purchasers contractual rights of action that are equivalent to the statutory rights of action set forth above with respect to purchasers resident in Ontario.

## Alberta

Section 204 of the *Securities Act* (Alberta) provides that if an offering memorandum contains a Misrepresentation, a purchaser who purchases a security offered by the offering memorandum, without regard to whether the purchaser relied on the misrepresentation, has a right of action (a) for damages against (i) the issuer, (ii) every director of the issuer at the date of the offering memorandum, and (iii) every person or company who signed the offering memorandum, and (b) for rescission against the issuer or selling security holder on whose behalf the distribution is made, provided that, among other limitations:

- (a) if the purchaser elects to exercise its right of rescission, it shall cease to have a right of action for damages against the person or company referred to above;
- (b) no person or company referred to above will be liable if it proves that the purchaser had knowledge of the Misrepresentation;
- (c) no person or company (other than the issuer) referred to above will be liable if it proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Executive Director of the Alberta Securities Commission and the issuer that it was sent without the knowledge and consent of the person or company;
- (d) no person or company (other than the issuer) referred to above will be liable if it proves that the person or company, on becoming aware of the Misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the Executive Director of the Alberta Securities Commission and the issuer of the withdrawal and the reason for it;
- (e) no person or company (other than the issuer) referred to above will be liable if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
  - (i) there had been a Misrepresentation; or
  - (ii) the relevant part of the offering memorandum
    - (A) did not fairly represent the report, opinion or statement of the expert, or



- (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (f) the person or company (other than the issuer) will not be liable if with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert if, after conducting a reasonable investigation:
  - (i) the person or company had no reasonable grounds to believe there was a misrepresentation; and
  - (ii) did not believe there was a misrepresentation.
- (g) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum;
- (h) the defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation;

Section 211 of the *Securities Act* (Alberta) provides that no action may be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action, or
- (b) in the case of any action, other than an action for rescission, the earlier of
  - (i) 180 days from the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) 3 years from the day of the transaction that gave rise to the cause of action.

The foregoing summary is subject to the express provisions of the securities legislation referred to above and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the Trust may rely.

The rights of action for damages or rescission discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law.

## **APPENDIX B FINANCIAL STATEMENTS**

**CENTURION FINANCIAL TRUST**  
**Financial Statements**  
**One day period ended January 3, 2017 (date of formation)**

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## INDEPENDENT AUDITORS' REPORT

To the Unitholder of Centurion Financial Trust

We have audited the accompanying financial statements of Centurion Financial Trust, which comprise the statement of financial position as at January 3, 2017 (date of formation), changes in unitholder's equity and cash flows for the one day period ended January 3, 2017 (date of formation), and notes, comprising 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 our 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, we consider 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.



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*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Centurion Financial Trust as at January 3, 2017 (date of formation), and its changes to unitholder's equity and cash flows for the one day period ended January 3, 2017 (date of formation) in accordance with International Financial Reporting Standards.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

January 26, 2017  
Toronto, Canada

**CENTURION FINANCIAL TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**AS AT JANUARY 3, 2017**

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**Assets**

Cash	\$	10
<b>Total Assets</b>	<b>\$</b>	<b>10</b>

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**Unitholder's Equity**

Trust Unit	\$	10
	<b>\$</b>	<b>10</b>

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Approved by Trustee:  
(Signed) Gregory G. Romundt

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Trustee

## **CENTURION FINANCIAL TRUST**

### **STATEMENT OF CASH FLOWS**

**(EXPRESSED IN CANADIAN DOLLARS)**

**ONE DAY PERIOD ENDED JANUARY 3, 2017 (DATE OF FORMATION)**

<b>Cash Flow from Financing Activities</b>		
Issuance of Unit	\$	10
<b>Net cash from financing activities</b>		<b>10</b>
Net Increase cash		10
Cash, beginning of period		-
<b>Cash, end of period</b>	<b>\$</b>	<b>10</b>

## **CENTURION FINANCIAL TRUST**

### **STATEMENT OF CHANGES IN UNITHOLDER'S EQUITY**

**(EXPRESSED IN CANADIAN DOLLARS)**

**ONE DAY PERIOD ENDED JANUARY 3, 2017 (DATE OF FORMATION)**

	Number of trust units	Trust Unit	Net Income	Total
Issued on Formation	1 \$	10 \$	- \$	10
<b>Balance at January 3, 2017</b>	<b>1 \$</b>	<b>10 \$</b>	<b>- \$</b>	<b>10</b>



## **1. Purpose and basis of preparation**

Centurion Financial Trust (hereafter the “Trust”) is an unincorporated, open ended private investment trust which was formed pursuant to a Declaration of Trust (the “DOT”) dated January 3, 2017 and amended and restated on January 16, 2017. The Trust is governed by the laws of the Province of Ontario. The purpose of the Trust is to invest in a diversified portfolio of opportunistic investments.

The registered office of the Trust is located at 25 Sheppard Avenue West, Suite 710, Toronto, Ontario, M2N 6S6.

These financial statements were approved by the Trustee on January 26, 2017.

These financial statements have been prepared on a historical cost basis. In addition these financial statements are presented in Canadian Dollars, which is the functional currency of the Trust.

## **2. Statement of Compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and its interpretations, and are the Fund’s first financial statements.

## **3. Accounting Policies**

### **Cash**

Cash consists of unrestricted cash-on-hand.

### **Unitholder’s equity**

The units of the Trust (“Trust Units”) are redeemable at the holder’s option subject to certain limitations and restrictions. As a result, the units of the Trust are puttable instruments in accordance with International Accounting Standard 32 – Financial Instruments (“IAS 32”). Puttable instruments are required to be accounted for as financial liabilities except where certain conditions are met in accordance with IAS 32. The Trust meets the conditions of IAS 32 and are therefore classified as equity.

Subsequent to the issuance of additional units in accordance with the DOT dated January 16, 2017, the Trust Units will no longer qualify for any exceptions to be presented as equity. As such, the Trust Units will be presented as a financial liability.

#### **4. Unit Capital**

In accordance with the DOT dated January 16, 2017, the Trust may issue an unlimited number of units of various classes. Each unit represents an equal undivided interest in and to that portion of the Class A, F, I, M and R Percentage Interest as defined in the DOT of any distributions from the Trust, and in the net assets in the event of termination or wind-up of the Trust.

##### **Authorized**

- i. **Unlimited number of Class A Trust Units**
  - a. Class A Trust Units are participating, with one vote per unit, no par value.
- ii. **Unlimited number of Class F Trust Units**
  - a. Class F Trust Units are participating, with one vote per unit, no par value.
- iii. **Unlimited number of Class I Trust Units**
  - a. Class I Trust Units are participating, with one vote per unit, no par value.
- iv. **Unlimited number of Class M Trust Units**
  - a. Class M Trust Units are participating, reserved for Centurion Asset Management Inc. and are based on a formula disclosed in the DOT. Apart from certain voting restrictions, Class M Unitholders are entitled to vote to that percentage of all Unitholder votes equal to the Class M Unit Percentage Interest as defined in the DOT. At any time, the holder of a Class M Unit may convert into either Class A units or Class R units based on a specified ratio as disclosed in the DOT.
- v. **Unlimited number of Class R Trust Units**
  - a. Class R Trust Units are participating with no par value and reserved for a Centurion Family Entity as defined in the DOT. Apart from certain voting restrictions, Class R units are entitled to vote to that percentage of all Unitholder votes equal to the Class R Percentage Interest as defined in the DOT.

Each Unitholder shall be entitled to require the Trust to redeem Class A, F, I, M or Class R Trust units on the "Redemption Date" of any month on-demand. Unitholders whose units are redeemed will be entitled to receive a redemption price per unit ("Redemption Price") determined by a market formula at fair value less any applicable early redemption fees as outlined in the DOT. The redemption price will be satisfied by way of cash payment. The Trust units tendered for redemption in any calendar month in which the total amount payable by the Trust exceeds \$50,000 (the "Monthly Limit"), will be redeemed for cash and, subject to any applicable regulatory approvals, by a distribution in specie of debt securities on a pro rata basis.

During the one day period January 3, 2017, the Trust issued on formation 1 Class A unit for aggregate consideration of \$10 to Centurion Asset Management Inc.

**5. Subsequent Events**

- i. On January 16, 2017, the Trust entered into investment warehouse agreements with Centurion Apartment Real Estate Investment Trust (the “REIT”), Centurion Real Estate Opportunities Trust (the “REOT”) and Centurion Asset Management Inc. (“CAMI”). The Trust intends to warehouse certain investments from time to time with the REIT, REOT and/or CAMI by entering into transactions in which the Trust agrees to transfer to the REIT, REOT and/or CAMI all or a portion of investments as applicable, against the transfer of funds by the REIT, REOT and/or the CAMI, with simultaneous agreement by the REIT, REOT and/or the CAMI to transfer to the Trust such investments as applicable, on demand or as otherwise be agreed by the REIT, the REOT, CAMI and the Trust, against payment for such investments.
- ii. On January 16, 2017, the Trust entered into an Asset Management Agreement (the “Agreement”) with Centurion Asset Management Inc. (“Manager”), a related party by virtue of common management. The term of the Agreement is to December 31, 2026, with automatic ten year renewal terms unless cancelled in writing. In accordance with the Agreement, the Trust will pay an acquisition or sourcing fee equal to 1% of the purchase price of any investment by the Trust provided a fee has not been paid to a related party of the manager.