

FORM 45-106 F2

Offering Memorandum for Non-Qualifying Issuers

MAINROAD INVESTMENT TRUST

Offering of up to \$10,000,000  
(10,000,000 Units at a price of \$1.00 per Unit)

**Date:** March 1, 2016

**The Issuer**

Name: Mainroad Investment Trust (the "Trust").  
Head office: 17474 – 56th Avenue  
Surrey, British Columbia V3S 1C3  
Phone #: (604) 575 7028  
E-mail address: trust@mainroad.ca  
Fax #: (604) 575 7045

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: Trust units ("Units").  
Price per security: \$1.00 per Unit.  
Minimum/Maximum offering: **There is no Minimum Offering. You may be the only purchaser. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.**

The Maximum Offering is \$10,000,000 (10,000,000 Units).  
Minimum subscription \$5 (5 Units).

Payment terms: See Item 5.2 "Subscription Procedure".

Proposed closing date(s): This is a continuous offering. Closings will occur on such dates as are established by the Trust from time to time.

Tax consequences: There are important tax consequences to these securities. See Item 6 "Income Taxes and Plan Eligibility".

Selling agent? No.

**Resale restrictions**

You will be restricted from selling your securities for an indefinite period. See Item 10. However, the Units are redeemable in certain circumstances. See Item 5.1 "Terms of Units – Redemption".

**Purchaser's rights**

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11.

**No securities regulatory authority 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.**

## SUMMARY

*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.*

**Introduction:** Mainroad Investment Trust (the “**Trust**”) is an unincorporated open-ended limited purpose trust which has been established for investment purposes. The Trust has invested in a loan (the “**Mainroad Loan**”) in the amount of approximately \$22,000,000 (\$500,000 of which was repaid on March 17, 2015) to Mainroad Holdings Ltd. (“**Mainroad Holdings**”), a loan (the “**LP Loan 1**”) in the amount of approximately \$4,000,000 to Mainroad Limited Partner Ltd. (“**MLP**”), a loan (the “**LP Loan 2**”) in the amount of approximately \$2,400,000 to MLP, a loan (the “**LP Loan 3**”) in the amount of approximately \$1,500,000 to MLP, a loan (the “**LP Loan 4**”) in the amount of approximately \$1,400,000 to MLP and a loan (the “**LP Loan 5**”) in the amount of approximately \$1,600,000 to MLP. Mainroad Holdings has loaned the proceeds of the Mainroad Loan to MLP, which, along with the proceeds of LP Loan 1, LP Loan 2, LP Loan 3, LP Loan 4 and LP Loan 5, used such proceeds in its operations.

The Mainroad Group is a group of operating companies, partnerships, joint ventures and other entities within the roadway construction and maintenance industries and general commercial construction and related industries in British Columbia. As a contractor to provincial and municipal governments and private industry, Mainroad Holdings is a leader in the provision of roadway construction and maintenance services throughout British Columbia. Further detail on the Mainroad Group is set out in Item 2.2 “Investments – The Mainroad Group”.

**Subscription Price:** The subscription price per Unit is \$1.00.

**Minimum Subscription:** Each investor must subscribe for a minimum of \$5 (5 Units).

**Use of Proceeds:** The net subscription proceeds will be invested in Additional Loans and in short-term investments.

**Offering:** The Trust is offering up to 10,000,000 Units to investors at a price of \$1.00 per Unit, for total gross proceeds of \$10,000,000 (the “Offering”).

This Offering is being made on a continuous basis pursuant to exemptions from the prospectus and, where applicable, registration requirements of applicable securities legislation in British Columbia, Alberta, Saskatchewan and Manitoba (the “Provinces”). In order to subscribe for Units, investors must be resident in one of the Provinces and must acknowledge having received and read a copy of this Offering Memorandum. As well, Units may only be issued to Approved Unitholders who are not non-residents of Canada for the purposes of the Tax Act.

**Subscription Procedure:** Subscribers may subscribe for Units by returning to the Trust a completed Subscription Form, together with payment in the form of a cheque or bank draft in the amount of the subscription price for the Subscriber’s Units. See Item 5.2 “Subscription Procedure”.

**Closing:** This is a continuous offering. Closings will occur on such dates as are determined by the Trust from time to time.

**Distribution Policy:**

The Trust will make a distribution to each Unitholder on a monthly basis in an amount equal to such percentage of the Distributable Income of the Trust for such calendar month as the Trustees determine. On the last day of each year, an amount equal to the net income of the Trust and the net realized capital gains for such year not previously made payable to or treated as having been paid to Unitholders in such year shall be automatically payable to Unitholders of record at the close of business on such day.

The Trust intends to distribute its net income and net realized capital gains, if any, in the year they are earned or realized to ensure that no income tax is payable by the Trust. If distributions to Unitholders are in excess of net income and net realized capital gains, if any, of the Trust, the adjusted cost base of the Unitholders' Units will generally be reduced and a capital gain will result to the extent the adjusted cost base would otherwise be a negative amount. See Item 5.1 "Terms of Units – Distributions" and Item 6 "Income Taxes and Plan Eligibility".

**Redemption:**

Unitholders may require the Trust to redeem their Units at any time upon demand, subject to applicable law and certain other conditions. Units will be redeemed at a redemption price per Unit equal to the product obtained by multiplying the Unit Percentage Interest by an amount equal to:

- (a) the "aggregate value" of the assets of the Trust on the last day of the most recent calendar month that ends prior to the Redemption Date (the "Calculation Date"); plus
- (b) the "aggregate value" of the cash and other working capital assets of the Trust on the Calculation Date; less
- (c) the "aggregate value" of the Trust's liabilities on the Calculation Date,

divided by the number of outstanding Units on the Calculation Date. For the purposes of redemptions, "aggregate value" shall be determined by the Trustees based on fair market value, with reference to net book values of the assets of the Trust unless the Trustees are of the opinion that such information is not reflective of the fair market value of such assets, in which case the Trustees may use any other available information and methods as they deem necessary to establish aggregate value.

The redemption price per Unit multiplied by the number of Units tendered for redemption will be paid to a Unitholder by way of a cash payment no later than 30 days after the receipt by the Trust of the notice of redemption from the Unitholder, provided that the total amount payable by the Trust by cash payment in respect of the redemption of Units for each calendar quarter will not exceed \$500,000, subject to the Trustees, in their sole discretion, waiving such limitation. If the Trust has received notices of redemption in respect of Units in excess of \$500,000 in any calendar quarter, and if Trustees do not, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any particular calendar quarter, the redemption price shall be paid by the issuance and delivery of a number of Trust Notes, each in the principal amount of \$100, having an aggregate principal amount equal to the redemption price per Unit multiplied by the number of Units tendered for redemption.

|   |   |
|---|---|
| <b>Distribution on Termination:</b>           | On the termination of the Trust, the assets of the Trust will be liquidated and the proceeds distributed to pay the liabilities of the Trust and to establish reserves for the contingent liabilities of the Trust. Any amounts payable will be distributed proportionately to each Unitholder. Such distribution may be made in cash or in kind or partly in each, in the Trustees` discretion. See Item 5.1 “Terms of Units - Distribution on Termination of the Trust”.  |
| <b>Approved Unitholders:</b>                  | Units of the Trust will not be allotted or issued to any person other than an Approved Unitholder. In addition, there are limits on the aggregate number of Units which a Unitholder, his or her spouse and a trustee of a Plan, the Annuitant of which is that Unitholder or his or her spouse, may hold. See Item 5.1 “Terms of Units – Approved Unitholders”.  |
| <b>Residency Requirement:</b>                 | Unitholders must be residents of Canada. See Item 5.1 “Terms of Units – No Non-Resident Unitholders”.   |
| <b>Eligibility for Investment:</b>            | Subject to the qualifications and assumptions discussed under Item 6 “Income Taxes and Plan Eligibility”, the Units will be a qualified investment for Plans. Notwithstanding, a Plan and its Annuitant may be subject to taxation in respect of an investment in Units in certain circumstances, including if the Units are, at any time, not a “qualified investment” or are a “prohibited investment” or are used in a transaction that is a prohibited “advantage” under the Tax Act for the Plan, See Item 6 “Income Taxes and Plan Eligibility”. Unitholders who intend to hold Units in a Plan should consult with their own tax advisors regarding the application of the foregoing having regard to their particular circumstances   |
| <b>Taxation of the Trust and Unitholders:</b> | <p>The Trust will generally not pay tax on the net income and net realized capital gains of the Trust that are distributed to Unitholders (as is required under the terms of the Declaration of Trust) provided the Trust qualifies as a mutual fund trust and the Units are not listed or traded on a stock exchange or other public market. Losses incurred by the Trust cannot be allocated to Unitholders but may be deducted by the Trust in future years.</p> <p>In computing their taxable income, Unitholders will be required to include the income and the taxable portion of capital gains distributed to them by the Trust. Distributions not included in taxable income, other than the non-taxable one-half of capital gains, will generally reduce a Unitholder's adjusted cost base of the Units held.</p> <p>On a redemption or other disposition of Units, the Unitholder will realize a capital gain (or loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base of the Units and any costs of disposition, respectively. One-half of a capital gain must be included in income as a taxable capital gain. One-half of a capital loss is an allowable capital loss which may be applied against taxable capital gains realized in the year, with any excess (adjusted to reflect the appropriate inclusion rate) available for carry back three years or forward indefinitely and applied against taxable capital gains realized in those earlier or later years.</p> <p>See Item 6 “Income Taxes and Plan Eligibility”.</p> |
| <b>No Transferability:</b>                    | Units will not be transferable except to a Plan established for the transferor. Units will not be listed on any stock exchange. As well, securities requirements may prohibit or restrict transferability of Units. See Item 10 “Resale Restrictions”.  |

**Risk Factors:**

An investment in Units entails a number of risks. These risks include the following:

- (a) There is currently no market for the Units and it is not anticipated that any market will develop. Other than to a Plan established for the transferor, the Units are not transferable. Consequently, holders of the Units may not be able to sell them readily, and Units may not be readily accepted as collateral for a loan. In such situations, securities requirements may prohibit or restrict transferability of Units.
- (b) There is no representation made by the Trustees that the Mainroad Loans have a guaranteed return to Unitholders, nor that losses will not be incurred by the Trust in respect of the Mainroad Loans.
- (c) The Trust will in large part be relying on the good faith and expertise of the management of Mainroad Holdings in respect of the operation of its business.
- (d) The Trust's return on its investment in the Mainroad Loans is dependent upon the continued successful business operations of Mainroad Holdings and its affiliated entities. Mainroad Holding's operations are subject to numerous risks which are beyond the control of the Trust, including general economic conditions, reliance on government contracts, weather fluctuations, competition for business opportunities, interest rate fluctuations, potential environmental liability, and uninsured losses.
- (e) Risks associated with the Unitholders' right to redeem Units include the use of available cash for the payment of the redemption price rather than cash distributions, limitations on the amount of cash allocated to the payment on account of Units redemptions and the possibility that Unitholders may receive payment of the redemption price by way of Trust Notes.
- (f) The Trust may be adversely affected by changes in income tax laws and other laws, governmental policies or regulations. In certain cases, the Units may cease to be qualified investments for Plans. This could result in the Plans and/or Annuitants which continue to hold Units becoming liable for a penalty tax.
- (g) Where Units are held in a Plan, the Plan and the Annuitant may be subject to taxation in respect of an investment in Units in certain circumstances, including if the Units are, at any time, not a "qualified investment" or are a "prohibited investment" or are used in a transaction that is a prohibited "advantage" under the Tax Act for the Plan. See Item 6 "Income Taxes and Plan Eligibility" and Item 8 "Tax Related Risk Factors Relating to Plans". Unitholders who intend to hold Units in a Plan should consult with their own tax advisors regarding the application of the foregoing having regard to their particular circumstances.

- (h) There is a risk that a Unitholder could be held personally liable for obligations in connection with the Trust (to the extent that claims are not satisfied by the Trust). The Declaration of Trust provides that no Unitholder shall be held to have any personal liability as such for satisfaction of any obligation in respect of or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustee (to the extent that claims are not satisfied by the Trust). In any event, the Trustees consider the risk of any personal liability of Unitholders to be minimal in view of the size of the anticipated equity of the Trust, the nature of its activities and the requirement of the Trust that any written contract or commitment of the Trust (except where not reasonably possible) include an express limitation of liability.

An investment in the Units should be undertaken only by purchasers whose financial resources are sufficient to assume such risk and can afford a total loss of their investment and have no need to immediate liquidity in their investment. Prospective purchasers should carefully consider the information presented in this Information Memorandum before purchasing the securities offered hereunder

The risks are more fully described in Item 8 “Risk Factors”.

## GLOSSARY

*The following terms appear throughout this Offering Memorandum. Care should be taken to read each term in the context of the particular provision of this Offering Memorandum in which such term is used.*

**“Additional Loans”** means loan obligations, other than the Mainroad Loan, the LP Loan 1, LP Loan 2, the LP Loan 3, and the LP Loan 4, owing by Mainroad Holdings, MLP or any affiliate or affiliates thereof, to the Trust;

**“Annuitant”** means the annuitant of a registered retirement savings plan, a registered education savings plan, a registered retirement income fund or a deferred profit sharing plan, or the holder of a TFSA or tax free savings account, all as defined in the Tax Act;

**“Approved Subsidiary”** means any of the following:

- (a) a corporation all of the shares of which are directly or indirectly owned by Mainroad Holdings;
- (b) any corporation approved by the Trustees in which Mainroad Holdings owns shares;
- (c) a corporation all of the shares of which are directly or indirectly owned by a corporation described in paragraph (b); or
- (d) a partnership, including a limited partnership:
  - (i) the partners of which include:
    - A. Mainroad Holdings; or
    - B. one or more corporations described in paragraphs (a), (b) or (c); or
  - (ii) in which Mainroad Holdings directly or indirectly holds an interest and that is approved by the Trustees.

**“Approved Unitholder”** means:

- (a) an employee of Mainroad Holdings or of an Approved Subsidiary;
- (b) a spouse of an employee of Mainroad Holdings or a spouse of an employee of an Approved Subsidiary;
- (c) a consultant (individual or corporate) providing services to Mainroad Holdings or an Approved Subsidiary and approved by the Trustees, until the Trustees determine such consultant is no longer approved as an Approved Unitholder;
- (d) a trustee for a Plan, the Annuitant of which is a person described in paragraphs (a), (b) and (c); and
- (e) any other person or persons or class of persons approved by the Trustees unanimously to be an Approved Unitholder;

**“Business Day”** means any day other than a Saturday, Sunday or statutory holiday in the Province of British Columbia;

**“Canada Five-Year Yield”** on any date means the yield to maturity on such date (expressed as a percentage), assuming semi-annual compounding, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity of approximately

five years, which Canada Five-Year Yield shall be determined by a major Canadian investment dealer selected by the Trustees;

“**Closing**” means a closing of the sale of Units;

“**Declaration of Trust**” means the Declaration of Trust dated October 27, 2009 and made between James Speakman, as Settlor, and Doug Bjornson, Noel Mankey and David Zerr as the initial Trustees, creating the Trust under the laws of the Province of British Columbia;

“**Distributable Income**” for or in respect of any period means the consolidated net earnings of the Trust for the period, as determined in accordance with Canadian GAAP. Adjustments may be made to Distributable Income by the Trustees in their discretion. Where appropriate, estimates may be made of Distributable Income where the actual amount has not been finally determined, which estimates shall be adjusted as of the date of subsequent distributions;

“**Distribution Date**” means, in respect of each Distribution Period, the last day thereof, or if such day is not a Business Day, the next following Business Day, and such other dates determined from time to time by the Trustees;

“**Distribution Period**” means each calendar month from and including the first day thereof and to and including the last day thereof (whether or not such days are Business Days), provided that the first Distribution Period will begin on the date of Closing and will end on the last day of the first complete calendar month following the date of Closing;

“**DPSP**” means a deferred profit sharing plan as defined in the Tax Act;

“**Fiscal Year**” means each consecutive period of twelve (12) months coinciding with the calendar year and ending on December 31;

“**LP Loan 1**” means a loan to MLP in the amount of approximately \$4,000,000 made pursuant to the LP Loan Agreement 1, as referred to in Item 2.2 “Investments – The Mainroad Group”;

“**LP Loan 2**” means a loan to MLP in the amount of approximately \$2,400,000 made pursuant to the LP Loan Agreement 2, as referred to in Item 2.2 “Investments – The Mainroad Group”;

“**LP Loan 3**” means a loan to MLP in the amount of approximately \$1,500,000 made pursuant to the LP Loan Agreement 3, as referred to in Item 2.2 “Investments – The Mainroad Group”;

“**LP Loan 4**” means a loan to MLP in the amount of approximately \$1,400,000 made pursuant to the LP Loan Agreement 4, as referred to in Item 2.2 “Investments – The Mainroad Group”;

“**LP Loan 5**” means a loan to MLP in the amount of approximately \$1,600,000 made pursuant to the LP Loan Agreement 5, as referred to in Item 2.2 “Investments – The Mainroad Group”;

“**LP Loan Agreement 1**” means the Loan Agreement made April 5, 2011 between the Trust and MLP in respect of the LP Loan 1;

“**LP Loan Agreement 2**” means the Loan Agreement made May 16, 2012 between the Trust and MLP in respect of the LP Loan 2;

“**LP Loan Agreement 3**” means the Loan Agreement made April 3, 2014 between the Trust and MLP in respect of the LP Loan 3;

“**LP Loan Agreement 4**” means the Loan Agreement made July 15, 2014 between the Trust and MLP in respect of the LP Loan 4;

“**LP Loan Agreement 5**” means the Loan Agreement made September 30, 2015 between the Trust and MLP in respect of the LP Loan 5;

“**Mainroad Holdings**” means Mainroad Holdings Ltd., a British Columbia corporation, and in certain contexts includes various corporations, partnerships, limited partnerships, joint ventures and other entities which operating the businesses comprising the Mainroad Group as referred to in Item 2.2 “Investments – The Mainroad Group”;

“**Mainroad Loan**” means a loan to Mainroad Holdings in the amount of approximately \$22,000,000 (\$500,000 of which was repaid on March 17, 2015) made pursuant to the Mainroad Loan Agreement, as referred to in Item 2.2 “Investments – The Mainroad Group”;

“**Mainroad Loan Agreement**” means the Loan Agreement made January 19, 2010 between the Trust and Mainroad Holdings in respect of the Mainroad Loan;

“**Mainroad Loans**” means collectively the Mainroad Loan, the LP Loan 1, LP Loan 2, the LP Loan 3, the LP Loan 4 and the LP Loan 5;

“**MLP**” means Mainroad Limited Partner Ltd., a British Columbia corporation, and in certain contexts includes various corporations, partnerships, limited partnerships, joint ventures and other entities referred to in Item 2.2 “Investments – The Mainroad Group”;

“**Offering**” means this offering of Units;

“**Plan**” means a trust governed by a DPSP, an RRSP, an RESP, an RRIF or a TFSA;

“**Redemption**” means a redemption of Units by a Unitholder;

“**RESP**” means a registered education savings plan as defined in the Tax Act;

“**RRIF**” means a registered retirement income fund as defined in the Tax Act;

“**RRSP**” means a registered retirement savings plan as defined in the Tax Act;

“**Securities Authority**” means the British Columbia Securities Commission;

“**Special Resolution**” means a resolution approved by not less than  $66\frac{2}{3}\%$  of the votes cast by those Unitholders who vote and are entitled to vote in person or by proxy at a duly convened meeting of Unitholders or a written resolution in one or more counterparts distributed to all Unitholders and signed by Unitholders holding in the aggregate not less than  $66\frac{2}{3}\%$  of the aggregate number of votes held by those Unitholders who are entitled to vote;

“**Subscriber**” means a subscriber for Units;

“**Subscription Form**” means the subscription form to subscribe for Units in the form of Schedule “A” attached hereto;

“**Subscription Price**” means the amount paid by a Subscriber for a Unit;

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.) c.1;

“**TFSA**” means a TFSA or tax free savings account as defined in the Tax Act;

“**Trust**” means Mainroad Investment Trust, the trust created pursuant to the Declaration of Trust;

“**Trust Notes**” means notes of the Trust issued that are subordinated and unsecured, have a maturity of five years or less, are payable at any time at the Trust's option prior to maturity, and pay an annual rate of interest equal to the Canada Five-Year Yield, payable monthly in arrears;

“**Trustees**” means the Trustees of the Trust, of whom the current trustees are Doug Bjornson, Noel Mankey and David Ching;

“**Unit**” means a Unit of beneficial interest in the Trust and includes a fraction of a Unit;

“**Unit Percentage Interest**” means, at any particular time, that percentage interest in the income or capital of the Trust to which the holder of a Unit is entitled, and is equal to one divided by the number of Units outstanding multiplied by 100%; and

“**Unitholders**” means those Subscribers whose subscriptions to purchase Units are accepted by the Trust and thereafter at any particular time the persons entered in the register or registers of the Trust as holders of Units and the singular form means one such registered holder.

**Item 1**  
**USE OF NET PROCEEDS**

**1.1 Funds**

|  | <b>Assuming<br/>Minimum<br/>Offering<sup>(1)</sup></b> | <b>Assuming<br/>Maximum<br/>Offering<sup>(2)</sup></b> |
|--|--|--|
| A. Amount to be Raised by this Offering    | \$0  | \$10,000,000   |
| B. Selling Commissions and Fees            | \$0  | \$0  |
| C. Estimated Offering Costs <sup>(3)</sup> | \$0  | \$25,000   |
| D. Net Proceeds (D = A – B – C)            | \$0  | \$9,975,000  |
| E. Additional sources of funding required  | \$0  | \$0  |
| F. Working capital deficiency              | \$0  | \$0  |
| G. Total: G = (D+E) - F                    | \$0  | \$9,975,000  |

<sup>(1)</sup> There is no minimum Offering. You may be the only Subscriber.

<sup>(2)</sup> The maximum Offering is \$10,000,000.

<sup>(3)</sup> Estimated costs of this Offering include legal, account, audit and tax advisory fees, the costs of printing and distributing this Offering Memorandum, and the cost of completing the subscriptions for Units, and the issuance of Units.

**1.2 Use of Available Funds**

The Trust will use the Net Proceeds as follows:

|   | <b>Assuming<br/>Minimum<br/>Offering<sup>(1)</sup></b> | <b>Assuming<br/>Maximum<br/>Offering<sup>(2)</sup></b> |
|---|--|--|
| Investment in Additional Loans and short-term investments | \$0  | \$9,950,000  |
| Working capital <sup>(3)</sup>                            | \$0  | \$25,000   |
| Total   | \$0  | \$9,975,000 <sup>(4)</sup>                             |

<sup>(1)</sup> There is no minimum Offering. You may be the only Subscriber.

<sup>(2)</sup> The maximum Offering is \$10,000,000.

<sup>(3)</sup> The amount shown will be maintained for other investments of the Trust and ongoing working capital requirements.

<sup>(4)</sup> The Trust does not intend to use the Net Proceeds to pay repurchase or redemption amounts in respect of Units to be repurchased or redeemed, as applicable. See Item 4.3 “Prior Sales – Repurchases / Redemptions” for additional information on repurchases and redemptions.

Mainroad Holdings intends to use the funds that it borrows from the Trust as follows:

| <b>Source of Funds</b>   | <b>Assuming<br/>Minimum<br/>Offering<sup>(1)</sup></b> | <b>Assuming<br/>Maximum<br/>Offering<sup>(2)</sup></b> |
|--|--|--|
| Gross Proceeds from Additional Loans borrowed from the Trust             | \$ -   | \$9,950,000  |
| <b>Use of Funds<sup>(1)</sup></b>  |  |  |
| Overtime Sales and Leasing LP – Equipment Purchases <sup>(2)</sup>       | \$ -   | \$3,000,000 <sup>(3)</sup>                             |
| Contracting – MRC Total Build  | \$ -   | \$3,000,000  |
| Maintenance (Mainroad Group companies conducting maintenance operations) | \$ -   | \$3,950,000  |
| Total  | \$ -   | \$9,950,000  |

(1) The amounts shown are an estimate only.

(2) Overtime Sales and Leasing LP is part of the Mainroad Group. Doug Bjornson, a Trustee of the Trust, is also a director of the general partner of Overtime Sales and Leasing LP.

(3) Notwithstanding the aggregate amount of the Net Proceeds raised pursuant to this offering, Mainroad Holdings intends to use the first \$3,000,000 of Net Proceeds to purchase equipment from Overtime Sales and Leasing LP.

### **1.3 Reallocation**

The Trust intends to spend the Net Proceeds as stated. The Trust will reallocate funds only for sound business reasons.

## **Item 2 THE TRUST**

### **2.1 Structure**

The Trust is an unincorporated open-ended limited purpose trust created under the laws of the Province of British Columbia, pursuant to a Declaration of Trust dated October 27, 2009. The head office of the Trust is located at 17474 – 56th Avenue Surrey, British Columbia, V3S 1C3. The Trustees of the Trust are Doug Bjornson, Noel Mankey and Peter Ashcroft, all of whom are businessmen resident in the Province of British Columbia. See Item 3 “Management Experience” for information relating to the Trustees.

### **2.2 Investments – The Mainroad Group**

The Trust has been established for investment purposes. The Trust has invested in the Mainroad Loans in the amount of approximately \$32,400,000. The Trust may invest in Additional Loans, or other investments as determined by the Trustees from time to time, on such terms and conditions as are determined by the Trustees at such times.

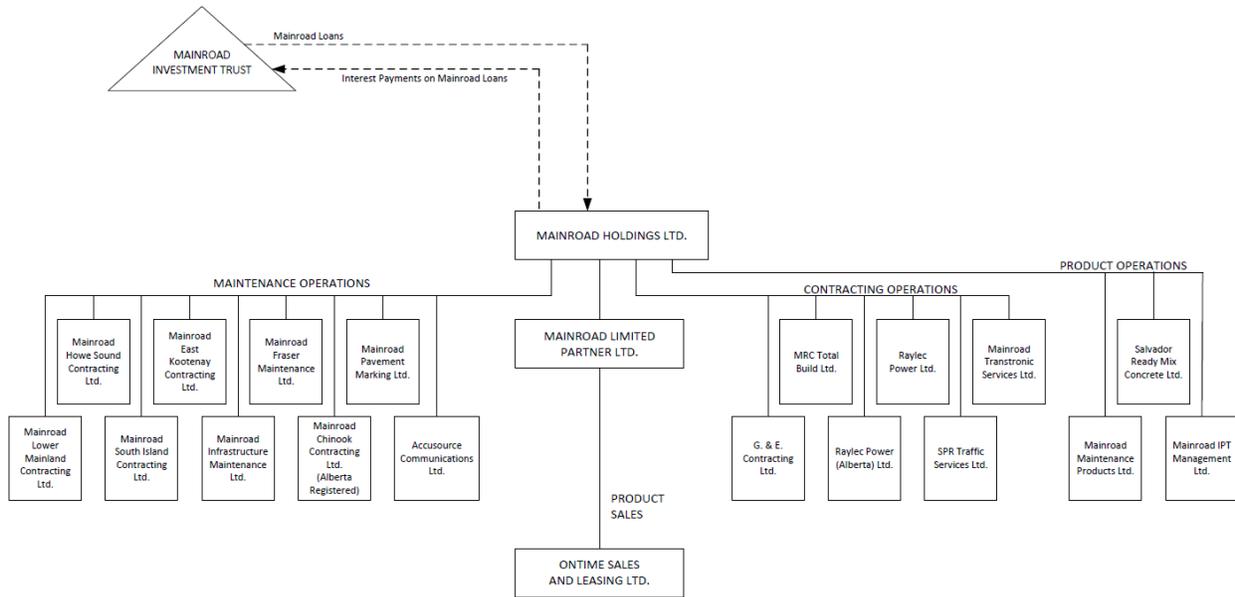
#### ***Mainroad Holdings***

Mainroad Holdings, a British Columbia company incorporated under the Business Corporations Act (British Columbia) on April 22, 1988, under incorporation number BC0344270. The registered and records office of Mainroad Holdings is located at 17474 – 56th Avenue Surrey, British Columbia, V3S 1C3.

Mainroad Holdings and its predecessors commenced operations in 1988. Since that time, the Mainroad Group has evolved into a group of companies, partnerships, limited partnerships, joint ventures and other entities providing roadway construction and maintenance services and general commercial construction and related services in British Columbia. MLP is a subsidiary of Mainroad Holdings with ownership in the operating divisions noted below. Operating divisions within the group include: (i) maintenance operation: Mainroad Lower Mainland Contracting, Mainroad Howe Sound Contracting, Mainroad South Island Contracting, Mainroad East Kootenay Contracting, Mainroad Infrastructure Maintenance, Mainroad Fraser Maintenance, Mainroad Chinook Contracting, Mainroad

Pavement Marking and Accusource Communications; (ii) contracting operation: G & E Contracting, MRC Total Build, Raylec Power, Raylec Power (Alberta), SPR Traffic Services and Mainroad Transtronic Services; (iii) products operation: Salvador Ready Mix Concrete, Mainroad Maintenance Products and Mainroad IPT Management; and sales: Overtime Sales and Leasing.

Simplified Investment Structure



With seven offices and 22 work yards in three regions throughout British Columbia, Mainroad Holdings' principal focus is in providing roadway construction and maintenance services to the Province of British Columbia, Ministry of Transportation. Many of its over 450 employees were employed by such Ministry before the privatization of highway services. It maintains a provincial highway contract area with the most structures, bridge decks, swing bridges, counterflow systems, and local municipalities of any contractor in British Columbia.

Mainroad Holdings is 100% employee owned. It manages all of its activities within ISO 9001:2000 operating standards. The shareholders of Mainroad Holdings, each of whom is also a Unitholder, have access to the audited annual financial statements of Mainroad Holdings at the annual meeting of Shareholders in accordance with the British Columbia *Business Corporations Act*.

***The Mainroad Loans***

Pursuant to the Mainroad Loan Agreement dated January 19, 2010, the Trust invested in the Mainroad Loan, the proceeds of which were used by Mainroad Holdings to lend to MLP, which then used such proceeds in its operations. Interest accrues on a daily basis on the outstanding balance of the Mainroad Loan at an average annual rate of 10%. Interest is payable annually, in arrears, on each anniversary of the date of advance. The Mainroad Loan was allocated in five tranches, each of which had different maturity dates, not in excess of five years. As each tranche reaches its maturity date, it may be automatically renewed for a term of five years, at such rate of interest as is agreed to by the Trust and Mainroad Holdings at such time. Mainroad Holdings may prepay any or all of the Mainroad Loan at any time, without notice, upon payment of a penalty equal to three months interest on the amount so prepaid.

Pursuant to the LP Loan Agreement 1 dated April 5, 2011, the Trust invested in the LP Loan 1, the proceeds of which were used by MLP in its operations. Interest accrues on a daily basis on the outstanding balance of the LP Loan 1 at an average annual rate of 13%. Interest is payable annually, in arrears, on each anniversary of the date of advance. The LP Loan 1 has a maturity date of five years. At the LP Loan 1 maturity date, the LP Loan 1 may be automatically renewed for a term of five years, at such rate of interest as is agreed to by the Trust and MLP at such time. MLP may

prepay any or all of the LP Loan 1 at any time, without notice, upon payment of a penalty equal to three months interest on the amount so prepaid.

Pursuant to the LP Loan Agreement 2 dated May 16, 2012, the Trust invested in the LP Loan 2, the proceeds of which were used by MLP in its operations. Interest accrues on a daily basis on the outstanding balance of the LP Loan 2 at an average annual rate of 9.5%. Interest is payable annually, in arrears, on each anniversary of the date of advance. The LP Loan 2 has a maturity date of five years. At the LP Loan 2 maturity date, the LP Loan 2 may be automatically renewed for a term of five years, at such rate of interest as is agreed to by the Trust and MLP at such time. MLP may prepay any or all of the LP Loan 2 at any time, without notice, upon payment of a penalty equal to three months interest on the amount so prepaid.

Pursuant to the LP Loan Agreement 3 dated April 3, 2014, the Trust invested in the LP Loan 3, the proceeds of which were used by MLP in its operations. Interest accrues on a daily basis on the outstanding balance of the LP Loan 3 at an average annual rate of 9.0%. Interest is payable annually, in arrears, on each anniversary of the date of advance. The LP Loan 3 has a maturity date of five years. At the LP Loan 3 maturity date, the LP Loan 3 may be automatically renewed for a term of five years, at such rate of interest as is agreed to by the Trust and MLP at such time. MLP may prepay any or all of the LP Loan 3 at any time, without notice, upon payment of a penalty equal to three months interest on the amount so prepaid.

Pursuant to the LP Loan Agreement 4 dated July 15, 2014, the Trust invested in the LP Loan 4, the proceeds of which were used by MLP in its operations. Interest accrues on a daily basis on the outstanding balance of the LP Loan 4 at an average annual rate of 9.0%. Interest is payable annually, in arrears, on each anniversary of the date of advance. The LP Loan 4 has a maturity date of five years. At the LP Loan 4 maturity date, the LP Loan 4 may be automatically renewed for a term of five years, at such rate of interest as is agreed to by the Trust and MLP at such time. MLP may prepay any or all of the LP Loan 4 at any time, without notice, upon payment of a penalty equal to three months interest on the amount so prepaid.

Pursuant to the LP Loan Agreement 5 dated September 30, 2015, the Trust invested in the LP Loan 5, the proceeds of which were used by MLP in its operations. Interest accrues on a daily basis on the outstanding balance of the LP Loan 5 at an average annual rate of 9.0%. Interest is payable annually, in arrears, on each anniversary of the date of advance. The LP Loan 5 has a maturity date of five years. At the LP Loan 5 maturity date, the LP Loan 5 may be automatically renewed for a term of five years, at such rate of interest as is agreed to by the Trust and MLP at such time. MLP may prepay any or all of the LP Loan 5 at any time, without notice, upon payment of a penalty equal to three months interest on the amount so prepaid.

The Mainroad Loans are secured by a General Security Agreement and subordinated to senior debt of Mainroad Holdings and its subsidiaries. Pursuant to the Mainroad Loan Agreement, LP Loan Agreement 1 and LP Loan Agreement 2, Mainroad Holdings and MLP are required to provide notice to the Trust of any increases in senior debt facilities, provide financial statements on an annual basis, keep proper records and allow the Trust to inspect such records, limit the payment of dividends to their retained earnings and maintain their legal existence. It shall be an event of default under the Mainroad Loan Agreement, LP Loan Agreement 1 and LP Loan Agreement 2 if any amount due under the Mainroad Loan Agreement, LP Loan Agreement 1 or LP Loan Agreement 2 is not paid when due. In the event of a default, the Trust may demand payment of the Mainroad Loan, LP Loan 1, LP Loan 2, LP Loan 3, LP Loan 4 or LP Loan 5 in its entirety.

## 2.3 Development of the Trust

### *The Trust*

The Declaration of Trust provides, among other things, that: (i) Units shall not be allotted or issued to any person other than an Approved Unitholder; and (ii) 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 from time to time in compliance with all applicable securities laws, regulations, rules or policies. Upon a Unitholder ceasing to be an Approved Unitholder, the Trust is permitted to repurchase Units held by such Unitholder. See Item 4.3 “Prior Sales – Repurchases / Redemptions”.

The Trust was established in October, 2009 for investment purposes. On January 19, 2010, the Trust completed the issuance of 22,126,446 Units for total gross proceeds of \$22,126,446 and on January 19, 2010, the Trust invested \$22,000,000 (\$500,000 of which was repaid on March 17, 2015) in the Mainroad Loan. On April 5, 2011, the Trust invested \$4,000,000 in the LP Loan 1, on May 16, 2012, the Trust invested \$2,400,000 in the LP Loan 2, on April 3, 2014, the Trust invested \$1,500,000 in the LP Loan 3, on July 15, 2014 the Trust invested \$1,400,000 in the LP Loan 4, and on September 30, 2015 the Trust invested \$1,600,000 in the LP Loan 5.

Since such dates, the Trust has received regular payments of interest on the Mainroad Loans and has distributed Distributable Income to Unitholders monthly. The Trust distributed Distributable Income to Unitholders as follows for the periods indicated:

|       | <b>For the year ended<br/>December 31, 2015</b> | <b>For the year ended<br/>December 31, 2014</b> |
|-------|---|---|
| Cash  | \$1,927,071                                     | \$1,868,386                                     |
| Units | 1,397,092 Units                                 | 1,496,921 Units                                 |

Except as otherwise disclosed herein, there have been no material events in respect of the Trust over the past two years. In 2013, however, professional fees were higher than normal as the Trust was invoiced for normal course legal and tax fees performed during the years ended December 31, 2013, 2012 and 2011 in the year ended December 31, 2013 because of CRA review and reclassification.

### *Mainroad Holdings*

Except as otherwise disclosed herein, here have been no material events in respect of Mainroad Holdings over the past two year: (i) write-down of a sub-license agreement and investment related to EZ Street cold asphalt product of approximately \$4.3 million (September 2014 – \$1.8 million; September 2015 – \$2.5 million); and (ii) the sale of a property in Sidney, British Columbia for approximately \$1.1 million in August 2014.

## 2.4 Long Term Objectives

The Trust’s long term objectives are:

- (a) to provide Unitholders with sustainable income while preserving capital for distribution or re-investment;
- (b) to invest in the Mainroad Loans and other similar investments; and
- (c) to distribute income on a monthly basis.

The Trust’s income will primarily consist of interest received on the Mainroad Loans, less any administrative costs incurred by the Trust, which are expected to be nominal. Subject to future events which may have an impact on the timing of such decisions, it is the current intention of the Trustees to continue the Trust for an indefinite period of time.

## 2.5 Short Term Objectives and How the Trust Intends to Achieve Them

The Trust's objectives for the next 12 months are to complete the offering of a sufficient number of Units pursuant to this Offering Memorandum to invest approximately \$9,975,000 in Additional Loans and in short-term investments.

| What we must do and how we must do it                     | Target completion date or if not known, number of months to complete | Our cost to complete    |
|---|--|-------------------------|
| To issue 10,000,000 Units                                 | March 1, 2017  | \$25,000 <sup>(1)</sup> |
| Investment in Additional Loans and short-term investments | On-going on an as needed basis                                       | n/a                     |

- (1) The amount shown is the estimated cost of the Offering, including legal, accounting, audit and tax advisory services, printing and distribution costs, and the cost of completing the subscriptions for Units.

## 2.6 Insufficient Proceeds (not applicable)

## 2.7 Material Agreements

The following is a list of agreements which are material to this Offering and to the Trust, all of which are in effect:

- (a) the Declaration of Trust dated October 27, 2009 and described below in Item 5.1 – “Terms of Units”;
- (b) the Mainroad Loan Agreement dated January 19, 2010 and described above in Item 2.2 “Investments – The Mainroad Group”;
- (c) the LP Loan Agreement 1 dated April 5, 2011 and described above in Item 2.2 “Investments – The Mainroad Group”; and
- (d) the LP Loan Agreement 2 dated May 16, 2012 and described above in Item 2.2 “Investments – The Mainroad Group”;
- (e) the LP Loan Agreement 3 dated April 3, 2014 and described above in Item 2.2 “Investments – The Mainroad Group”;
- (f) the LP Loan Agreement 4 dated July 15, 2014 and described above in Item 2.2 “Investments – The Mainroad Group”; and
- (g) the LP Loan Agreement 5 dated September 30, 2015 and described above in Item 2.2 “Investments – The Mainroad Group”.

Copies of all contracts referred to above may be inspected during normal business hours at the principal office of the Trust, 17474 – 56th Avenue, Surrey, British Columbia V3S 1C3.

## Item 3 DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

### 3.1 Compensation and Securities Held

The following table sets out information about each Trustee and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the Trust (a “principal holder”).

| <b>Name and municipality of principal residence</b> | <b>Positions held (e.g. Director, officer, promoter and/or principal holder) and the date of obtaining that position</b> | <b>Compensation paid by the Trust in the most recently completed financial year (or if the Trust has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year<sup>(1)</sup></b> | <b>Number, percentage and type of securities of the Trust held after completion of minimum offering</b> | <b>Number, percentage and type of securities of the Trust held after completion of maximum offering</b> |
|---|--|---|---|---|
| Douglas Alexander Bjornson, Surrey, BC              | Trustee  | Nil   | 1,045,506 Units<br>3.2%   | 1,045,506 Units<br>2.4%   |
| Noel Wilson Mankey Surrey, BC                       | Trustee  | Nil   | 667,922 Units<br>2.0%   | 667,922 Units<br>1.6%   |
| David Kin-Tong Ching Delta, BC                      | Trustee  | Nil   | 1,021,334 Units<br>3.1%   | 1,021,334 Units<br>2.4%   |

<sup>(1)</sup> Except as otherwise disclosed in this Offering Memorandum, the Trustees do not presently receive compensation in their capacity as Trustees.

### **3.2 Management Experience**

The following table discloses the principal occupations of the Trustees over the past five years.

| <b>Name</b>                         | <b>Principal occupations and related experience</b>   |
|-------------------------------------|---|
| Douglas Alexander Bjornson, Trustee | Mr. Bjornson is Chief Financial Officer Secretary/Treasurer of Mainroad Holdings. He is a Chartered Accountant who has been with Mainroad Holdings and its predecessors since 1990. He moved from Controller of Mainroad Contracting to Secretary/Treasurer of the Mainroad Group of companies in 1994. Mr. Bjornson is a member of the Mainroad Board of Directors and is responsible for corporate governance, financial, insurance, and bonding requirements. He has served as Chairman for the BC Roadbuilders and Heavy Construction Association and is past Treasurer of the BC Roadbuilders and Heavy Construction Association and the BC Safety Network. He was previously a director of the Employee Share Ownership Association.  |
| Noel Wilson Mankey Trustee          | Mr. Mankey is Vice President, Operations of Mainroad Holdings. He is a Civil and Structural Applied Science Technologist; with over 20 years' experience in the administration of highway maintenance programs in the busiest areas of the province of BC. Since joining Mainroad Holdings and its predecessors in 1997, Noel has filled the role of Project Manager, General Manager – East Kootenays, General Manager – Lower Mainland / Howe Sound, before becoming the Vice President – Operations in April 2006. Prior to 1997, Mr. Mankey worked with the Ministry of Transportation for 13 years, the bulk of which time was spent as Area Manager, Lower Mainland. He has served as Chairman for the BC Roadbuilders and Heavy Construction Association and for the Maintenance Sector of the BC Roadbuilders and Heavy Construction Association. |
| David Kin-Tong Ching Trustee        | Mr. Ching is Vice President, Business Development of Mainroad Holdings Ltd. He is a licensed Professional Engineer in BC, a Chartered Engineer with the Institution of Civil Engineers of UK and holds a Masters of Science in Civil Engineering from the University of Hawaii. Mr. Ching has thirty-five years of experience in management of heavy construction projects as well as road and bridge maintenance contracts. He has been with Mainroad Group since 1989 and is actively involved with maintenance contracts with the Province of British Columbia, TransLink, local municipalities and airports. Key areas of responsibility include business development, contract bidding, M&A and public-private partnership projects.   |

### 3.3 Penalties, Sanctions and Bankruptcy

No penalty or sanction or any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors, appointment of a receiver, receiver manager or trustee to hold assets has been in effect during the last ten years against or with regard to any Trustee or any issuer that a Trustee was a director, senior officer, or control person of at that time.

### 3.4 Loans

There are no loans outstanding to or from the Trustees.

## Item 4 CAPITAL STRUCTURE

### 4.1 Capital Structure

The following are the details of the outstanding securities of the Trust at February 29, 2016:

| <b>Description of Security</b> | <b>Number Authorized to be Issued</b> | <b>Price per Unit</b> | <b>Number Outstanding as at February 29, 2016</b> | <b>Number outstanding after min. offering</b> | <b>Number outstanding after max. offering</b> |
|--------------------------------|---------------------------------------|-----------------------|---|---|---|
| Units                          | Unlimited                             | \$1.00                | 33,184,166  | 33,184,166 <sup>(1)</sup>                     | 43,184,166 <sup>(1)</sup>                     |

<sup>(1)</sup> There is no minimum Offering. The maximum Offering is \$10,000,000 (10,000,000 Units).

## 4.2 Long Term Debt

The Trust has no long term debt.

## 4.3 Prior Sales

| Date of Issuance                      | Type of Security Issued | Number of Securities Issued | Price per Security | Total Funds Received |
|---------------------------------------|-------------------------|-----------------------------|--------------------|----------------------|
| December 11, 2009 to January 19, 2010 | Units                   | 22,126,446                  | \$1.00             | \$22,126,446         |
| January 20, 2010 to December 31, 2010 | Units                   | 5,209,133                   | \$1.00             | \$5,209,133          |
| January 1, 2011 to December 31, 2011  | Units                   | 4,883,623                   | \$1.00             | \$4,883,623          |
| January 1, 2012 to December 31, 2012  | Units                   | 4,315,561                   | \$1.00             | \$4,315,561          |
| January 1, 2013 to December 31, 2013  | Units                   | 3,774,053                   | \$1.00             | \$3,774,053          |
| January 1, 2014 to December 31, 2014  | Units                   | 3,141,883                   | \$1.00             | \$3,141,883          |
| January 1, 2015 to December 31, 2015  | Units                   | 3,852,122                   | \$1.00             | \$3,852,122          |

### *Repurchases / Redemptions*

The Declaration of Trust provides, among other things, that: (i) Units shall not be allotted or issued to any person other than an Approved Unitholder; and (ii) 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 from time to time in compliance with all applicable securities laws, regulations, rules or policies. Upon a Unitholder ceasing to be an Approved Unitholder, the Trust is permitted to repurchase Units held by such Unitholder. This right is separate and distinct from a Unitholder's right to require the Trust to redeem Units held by a Unitholders. The redemption of Units as referred to in the Trust's financial statements are in fact repurchases of Units by the Trust from Unitholders ceasing to be Approved Unitholders. During the two most recently completed fiscal years and to the date of hereof, the Trust repurchased Units as follows:

| Date of Repurchase       | Type of Security Repurchased | Number of Securities Repurchased | Price per Security | Total Funds Paid |
|--------------------------|------------------------------|----------------------------------|--------------------|------------------|
| January to March 2014    | Units                        | 1,100,023.52                     | \$1.00             | \$ 1,100,023.52  |
| April to June 2014       | Units                        | 860,168.07                       | \$1.00             | \$ 860,168.07    |
| July to September 2014   | Units                        | 481,740.37                       | \$1.00             | \$ 481,740.37    |
| October to December 2014 | Units                        | 350,930.52                       | \$1.00             | \$ 350,930.52    |
| January to March 2015    | Units                        | 1,217,240.14                     | \$1.00             | \$ 1,217,240.14  |
| April to June 2015       | Units                        | 572,128.48                       | \$1.00             | \$ 572,128.48    |
| July to September 2015   | Units                        | 174,646.36                       | \$1.00             | \$ 174,646.36    |
| October to December 2015 | Units                        | 169,160.88                       | \$1.00             | \$ 169,160.88    |
| January to February 2016 | Units                        | 517,153.90                       | \$1.00             | \$ 517,153.90    |
| Total                    |                              | 5,443,192.25                     |                    | \$ 5,443,192.25  |

**Item 5**  
**SECURITIES OFFERED**

**5.1 Terms of Units**

The Trust is an unincorporated open-ended limited purpose trust which was established on October 27, 2009 pursuant to the Declaration of Trust for investment purposes.

*Units*

The Trust is authorized to issue an unlimited number of redeemable units of beneficial interest (each a “Unit”). Each Unit entitles the Unitholder to the same rights and obligations as any other Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholders. Each Unitholder is entitled to participate equally with respect to any and all distributions made by the Trust to the Unitholders, including distributions of net income and net realized capital gains. On termination, the Unitholders of record are entitled to receive all of the assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses of the Trust. Refer to “Termination of the Trust” below.

The relationship of the Unitholders to the Trustees, to the Trust and to the property of the Trust shall be solely that of beneficiaries of the Trust and their rights shall be limited to those conferred upon them by the Declaration of Trust.

*Distributions*

The Trust may distribute to Unitholders on each Distribution Date such percentage of the Distributable Income of the Trust for the calendar month in which the Distribution Date falls as the Trustees determine in their discretion. Unitholders of record at the close of business on each Distribution Date shall be entitled to receive and to enforce payment of any distribution of Distributable Income declared by the Trustees for such Distribution Period. Subject to the foregoing, the Trust intends to make monthly distributions to Unitholders of record on the last Business Day of each month, in an amount equal to the Distributable Income of the Trust for each month, less all costs and expenses of the Trust for the distribution period less all amounts that relate to the redemption of Units. Distributions will be paid on the last day of each month for which a distribution is declared. The Trust may also make additional distributions during the year, as the Trustees may determine.

Each distribution declared pursuant to the Declaration of Trust constitutes a binding obligation of the Trust on the date so declared. Consequently, a Unitholder holding Units can demand a payment of a declared distribution on the Declaration Date and upon receipt of such demand the Trust must pay that amount to the Unitholder forthwith.

To the extent distributions are calculated in respect of a period and payable at the end of such period, if for any reason, including the termination of the Trust, such period is not completed or such amounts are no longer payable, then the distribution will be pro-rated to the end of the shortened period and be payable at the end of such shortened period.

On the last day of each taxation year, an amount equal to the Net Income of the Trust for such taxation year not previously made payable to or treated as having been paid to Unitholders in the taxation year shall be automatically payable to Unitholders of record at the close of business on such day (whether or not such day is a Business Day). As well, on the last day of a taxation year, the following amount shall be automatically payable to Unitholders of record at the close of business on such day (whether or not such day is a Business Day): an amount equal to the net income of the Trust for such taxation year, determined in accordance with the provisions of the Tax Act other than paragraph 82(1)(b) and subsection 104(6) thereof, including net realized capital gains plus the non-taxable portion of net realized capital gains realized by the Trust, other than:

- (a) income and taxable capital gains of the Trust arising on or in connection with an in specie redemption of Units which are paid or payable by the Trust to redeeming Unitholders;
- (b) capital gains, which may be offset by capital losses carried forward from prior years or, if not so offset, the tax on which is recoverable by the Trust;

- (c) income, which may be offset by non-capital losses, if any, carried forward from prior years; and
- (d) net income and net realized capital gains of the Trust for the taxation year otherwise distributed or made payable to the Unitholders during such year.

The Trustees may designate for tax purposes any income or capital gains realized by the Trust as a result of the redemption of Units (including any income or capital gains realized by the Trust on an in specie redemption of Units) as being paid to the redeeming Unitholders, with the result that the taxable portion of such gains and income may generally be deductible by the Trust.

Distributions payable to Unitholders pursuant to the Declaration of Trust shall be deemed to be distributions of income of the Trust (including dividends), net realized taxable capital gains of the Trust, trust capital or other items in such amounts as the Trustees, in its absolute discretion determine and shall be allocated to the Unitholders in the same proportions as distributions received by the Unitholders, subject to the discretion of the Trustees to adopt an allocation method which the Trustees consider to be more reasonable in the circumstances. For greater certainty, any distribution of net realized capital gains of the Trust shall include the non-taxable portion of the capital gains of the Trust which are included in such distribution.

Distributions shall be made:

- (a) by the issuance of additional Units having an aggregate value equal to the amount of such distribution, as calculated based on the Subscription Price per Unit;
- (b) by cheque payable to or to the order of the Unitholder;
- (c) by electronic funds transfer; or
- (d) by such other manner of distribution approved by the Trustees from time to time.

If the distribution is by way of additional Units, the Trustees may elect to consolidate the number of outstanding Units immediately after such distribution so that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. Any Unit certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Additional Units will be issued under exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing. The distribution of Units will be subject to the requirements of the applicable securities authority and if not permitted, distributions will be made in cash.

### ***Termination of the Trust***

Unless the Trust is sooner terminated as otherwise provided herein, the Trust shall continue in full force and effect for a term ending the earlier of:

- (a) the date when no property of the Trust is held by the Trustees; and
- (b) the date that is the twenty-first (21st) anniversary of the death of the Survivor of the descendants of His Late Majesty, King George the fifth living on the date hereof, and, for so long as the Trust is in existence, the Trustees shall have all the powers and discretions, expressed and implied, conferred upon them by law or by this Declaration of Trust.

The Unitholders may vote by Special Resolution to terminate the Trust at any meeting of Unitholders duly called by the Trustees for the purpose of considering such termination of the Trust, following which the Trustees shall commence the wind up of the affairs of the Trust.

### ***Distribution on Termination of the Trust***

On the termination of the Trust, the assets of the Trust shall be liquidated and the proceeds distributed in the following order:

- (a) to pay the liabilities of the Trust, provide for indemnity against any other outstanding liabilities and obligations therefor (actual and contingent), pay any unpaid expenses of the Trust and establish reserves for the contingent liabilities of the Trust; and
- (b) to redeem the Units on a pro rata basis from the Unitholders.

### ***Meetings of Unitholders and Resolutions***

The Trustees may, at any time, convene a meeting of the Unitholders and will be required to convene a meeting on receipt of a request in writing of Unitholders holding, in aggregate, not less than 20% of the Units outstanding. A quorum for any meeting convened to consider such matter will consist of two or more Unitholders present in person or by proxy and representing not less than five percent of the Units. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Unitholders, will be cancelled, but otherwise will be adjourned to another day, not less than seven days later, selected by the chairperson of the meeting and notice will be given to the Unitholders of such adjourned meeting. The Unitholders present at any adjourned meeting will constitute a quorum.

Each Unitholder is entitled to one vote per Unit held.

Each of the following actions requires approval by Special Resolution, the terms of which shall specify the date upon which the proposed action shall be undertaken and the party who shall undertake the action:

- (a) any amendment to the provision of the Declaration of Trust requiring a Special Resolution;
- (b) an exchange, reclassification or cancellation of all or part of the Units;
- (c) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units, including:
  - (i) the removal or change of rights to distributions;
  - (i) the addition or removal of or change to conversion privileges, options, voting, transfer or pre-emptive rights; or
  - (ii) the reduction or removal of a distribution preference or liquidation preference;
- (d) any constraint of the issue, transfer or ownership of Units or the change or removal of such constraint, except as provided herein;
- (e) any amendment to increase the maximum number of Trustees (to more than 7) or to decrease the minimum number of Trustees (to less than 3);
- (f) any distribution of the Trust's property upon its termination;
- (g) any amendment relating to the powers, duties, obligations, liabilities or indemnification of the Trustees;
- (h) any sale or transfer of the assets of the Trust as an entirety or substantially as an entirety (other than as part of an internal reorganization of assets of the Trust as approved by the Trustees);

- (i) the termination of the Trust; and
- (j) any amendment to the investment guidelines of the Trust except for any amendment required to ensure ongoing compliance by the Trust with applicable laws, regulations, requirements or policies of any governmental authority.

***Amendments to the Declaration of Trust***

Subject to the restrictions described in "Meetings of Unitholders and Resolutions", the Trustees may amend the Declaration of Trust in their sole discretion and without the approval of the Unitholders as follows:

- (a) amendments aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Trust, its status as a "mutual fund trust" under the Tax Act (or proposed amendments thereto) or the distribution of Units;
- (b) amendments which, in the opinion of the Trustees, provide additional protection for Unitholders;
- (c) amendments to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;
- (d) 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;
- (e) amendments of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders;
- (f) amendments which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation or other laws;
- (g) amendments which in the opinion of the Trustees are necessary or desirable to enable the Trust to issue Units for which the purchase price is payable on an installment basis or to implement a Unit option, purchase or rights plan;
- (h) amendments to create one or more additional 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; and
- (i) amendments for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which, in the opinion of the Trustees are not prejudicial to Unitholders and are necessary or desirable,

but notwithstanding the foregoing, no such amendment shall modify the right to vote attached to any Unit or reduce the equal undivided interest in the property of the Trust or the entitlement to distributions from the Trust represented by any Unit without the consent of the holder of such Unit.

### ***Information and Reports***

The Trust will furnish to Unitholders such financial statements and other reports as are from time to time required by applicable law. Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) information required by applicable tax and securities laws.

The Trust intends to make available to Unitholders the Trust's audited annual financial statements so long as the Trust relies on the offering memorandum exemption contained in section 2.9 of National Instrument 45-106.

### ***Liability of Unitholders***

No Unitholder or annuitant or any officer, employee or agent of the Trust shall be held to have any personal liability as such, and no resort shall be had to his private property (including, without limitation, any property consisting or arising from a distribution of any kind or nature by the Trust) for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustees or any obligation which a Unitholder or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such, but rather the assets of the Trust only are intended to be liable and subject to levy or execution for such satisfaction. Any written instrument creating an obligation which is or includes the granting by the Trust of a lease, sublease or mortgage or which is, in the judgment of the Trustees, a material obligation, shall contain a provision to the effect that the obligation being created is not personally binding upon, and the resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property (including, without limitation, any property consisting of or arising from a distribution of any kind or nature by the Trust) of any of the Unitholders or annuitant or officers, employees and agents of the Trust, but the property of the Trust or a specific portion thereof only shall be bound. If the Trust acquires any real property investment subject to existing contractual obligations, the Trustees shall use their reasonable efforts to have any such obligations under material contracts (including mortgages), other than leases, modified so as to achieve the aforesaid disavowal of contractual liability. Further, the trustees shall cause the operations of the Trust to be conducted in such a way and in such jurisdictions as to avoid, as far as reasonably possible, any material risk of liability on the Unitholder or annuitant for claims against the Trust, and shall, to the extent which they determine to be possible and reasonable, including in the cost or premiums, to cause the Trust to carry insurance for the benefit of such persons in such amounts as they consider adequate to cover any foreseeable non-contractual or non-excluded contractual liability.

### ***Redemption***

Each Unitholder will be entitled to require the Trust to redeem at any time or from time to time at the demand of the Unitholder all or any part of the Units registered in the name of the Unitholder at the prices determined and payable in accordance with the Declaration of Trust.

A Unitholder holding Units wishing to redeem the whole or any part of his or her Units (a "Redemption") may deliver a notice of such desire (the "Redemption Notice") to the Trustees at any time. Upon receipt by the Trust of the Redemption Notice, the Unitholder shall thereafter cease to have any rights with respect to the Units tendered for redemption (other than to receive the redemption payment therefor) including the right to receive any distributions thereon that are declared payable to the Unitholders of record on a date that is subsequent to the day of receipt by the Trustees of the Redemption Notice. Units shall be considered to be tendered for redemption on the date that the Trustees has, to the satisfaction of the Trustees, received the Redemption Notice and further documents or evidence the Trustees may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Unitholders whose Units are redeemed will be entitled to receive a redemption price per Unit (hereinafter the "Redemption Price") equal to the product obtained by multiplying the Unit Percentage Interest by an amount equal to:

- (a) the "aggregate value" of the assets of the Trust on the last day of the most recent calendar month that ends prior to the Redemption Date (the "Calculation Date"); plus
- (b) the "aggregate value" of the cash and other working capital assets of the Trust on the Calculation Date; less

- (c) the “aggregate value” of the Trust's liabilities on the Calculation Date,

divided by the number of outstanding Units on the Calculation Date. Under the Declaration of Trust, "aggregate value" shall be determined by the Trustees based on fair market value as provided herein. The Trustees shall refer to net book values in determining fair market value, provided however that the Trustees shall, in circumstances where the Trustees are of the opinion that such information is not reflective of fair market value, in their sole discretion use any other available information and methods as they deem necessary to establish aggregate value.

The redemption price per Unit multiplied by the number of Units tendered for Redemption will be paid to a Unitholder by way of a cash payment on a date determined in the sole discretion of the Trustees (the “Redemption Date”) which shall be not more than 30 days after the receipt by the Trust of the Redemption Notice, provided that the total amount payable by the Trust by cash payment in respect of the redemption of Units for any calendar quarter will not exceed \$500,000, subject to the Trustees, in their sole discretion, waiving such limitation. If the total amount payable by the Trust by cash payment in respect of the redemption of Units for a calendar quarter exceeds \$500,000, unless the Trustees waive such requirement, the Redemption Price shall be paid and satisfied at the sole discretion of the Trustees by way of the issuance and delivery of a number of the Trust Notes (each in the principal amount of \$100) having an aggregate principal amount equal to the Redemption Price per Unit multiplied by the number of Units tendered for redemption.

Units will be redeemed according to the order in which Redemption Notices are received.

Trust Notes received as a result of redemptions of Units will generally not be qualified investments for Plans, and this will give rise to adverse tax consequences to a Plan and the Annuitant thereof, including that the Plan and, in the case of a RRIF, RRSP or TFSA (a “Relevant Plan”), the Annuitant may become subject to a penalty tax, or, in the case of an RESP, the RESP may have its tax exempt status revoked. In addition, where a Relevant Plan acquires or holds a Trust Note that is a “prohibited investment” (as defined in the Tax Act) adverse tax consequences will generally arise to the Annuitant of the RRIF, RRSP or TFSA, including that the Annuitant will become subject to a penalty tax equal to 50% of the fair market value of such prohibited investment. The Trust Notes should not be prohibited investments provided the Annuitant of a Relevant Plan does not hold a “significant interest” (as defined in the Tax Act) in the Trust or any person or partnership that does not deal at arm’s length (within the meaning of the Tax Act) with the Trust, and provided the Annuitant deals at arm’s length (within the meaning of the Tax Act) with the Trust. In light of the foregoing, Plans that propose to invest in Units should consult their own tax advisors before deciding to purchase Units and again before deciding to exercise the redemption rights attached to such Units. See Items 6.3 “Plan Eligibility” and 8 “Risk Factors”.

#### ***Approved Unitholders***

Units of the Trust will not be allotted or issued to any person other than an Approved Unitholder. The aggregate number of Units held collectively by the Unitholder, his or her spouse from time to time and one or more persons each of which is a trustee of a Plan, the Annuitant which is that Unitholder or his or her spouse from time to time, shall not exceed at any time 10% of the aggregate number of issued and outstanding Units, unless the Trustees otherwise approve. No Unit or any rights in respect of the Units may be sold, assigned, transferred, mortgaged, pledged, charged or subject to a security interest or otherwise disposed of, except:

- (d) between the Trust and an Approved Unitholder
- (e) between an Approved Unitholder and one or more persons each of which is a trustee of a Plan, the Annuitant of which is that Unitholder;
- (f) as may otherwise be approved by the Trustees.

### ***No Non-Resident Unitholders***

At no time may non-residents of Canada be the beneficial owners of Units. If a Unitholder is or becomes a non-resident of Canada, the Trustees may in their discretion take all steps necessary to ensure that the prohibition on non-resident ownership is met.

### ***Powers and Responsibilities of the Trustees***

The Trustees have the exclusive authority to manage the operations and affairs of the Trust and to make all decisions regarding the Trust, and have authority to bind the Trust. The powers, authorities and responsibilities of the Trustees are limited to those expressly set forth in the Declaration of Trust. The Trustees are responsible for managing the Trust and the conduct of the affairs of the Trust.

A Trustee or any successor trustee may resign at any time by an instrument in writing delivered or mailed to the chairman of the Trustees or, if there is no chairman, the other Trustees. Such resignation shall take effect on the date such notice is given or at any later time specified in the notice. In the event of the resignation of a Trustee, the remaining Trustees shall appoint a replacement Trustee.

A Trustee may be removed at any time for cause by:

- (a) a majority of the votes cast at a meeting of Unitholders called for that purpose; or
- (b) by the resolution passed by an affirmative vote of not less than two-thirds of the remaining Trustees.

Any removal of a Trustee shall take effect immediately following the aforesaid vote or resolution or at any later time specified in the notice without need for prior accounting, and any Trustee so removed shall be so notified by the chairman of the Trustees or the remaining Trustees following such removal. In the event of the removal of a Trustee, the remaining Trustees shall appoint a replacement Trustee who shall continue to hold office for the term of the Trustee who has been removed.

Upon the incapacity or death of any Trustee, such Trustee shall be deemed to have resigned and his or her legal representative shall execute and deliver on such Trustee's behalf such documents as the remaining Trustees may require. In the event that a Trustee or his legal representatives, as applicable, are unable or unwilling to execute and deliver such required documents, each of the remaining Trustees is hereby appointed as the attorney of such Trustee for the purpose of executing and delivering such required documents. In the event of the incapacity or death of a Trustee, the remaining Trustees shall appoint a replacement Trustee who shall continue to hold office for the term of the former Trustee.

Trustees who are not employees of and who do not receive salary from the Trust or their respective affiliates or associates shall receive such fees and other reasonable compensation (including, without limitation, fees for serving as chairman of the Trust, for serving as chair of any committee of Trustees and for attendance at each meeting of Trustees and of each committee of Trustees) as the Trustees may determine from time to time, as well as reimbursement of their reasonable out-of-pocket expenses incurred in acting as a Trustee. Each of the Trustees, either directly or indirectly, shall also be entitled to receive remuneration for services rendered to the Trust in any other capacity. Currently, the Trust does not intend to pay any fees to its Trustees.

The Declaration of Trust provides that the Trustees will be indemnified out of the Trust Property in respect of any civil, criminal or administrative action or proceeding to which they are made a party by reason of being or having been a Trustee, and/or in respect of any and all taxes, penalties or interest in respect of unpaid taxes or other governmental charges imposed upon such parties as a result of the exercise of his or her powers or duties under the Declaration of Trust. However, any such party will not be indemnified in respect of unpaid taxes or other governmental charges that result from his or her failure to act honestly and in good faith with a view to the best interests of the Trust, or as a result of his or her failure to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise

in comparable circumstances, or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where such party did not have reasonable grounds for believing that his or her conduct was lawful.

In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustees and indemnifying the Trustees in respect of certain liabilities incurred by it in carrying out its duties.

The Trustees are required to exercise their powers and discharge its duties honestly, in good faith and in the best interests of the Trust and to exercise the degree of care, diligence and skill that a reasonably prudent professional manager would exercise in comparable circumstances.

**The foregoing is a summary only of certain of the material provisions of the Declaration of Trust. For a complete understanding of all of the provisions of the Declaration of Trust Agreement, reference should be made to the Declaration of Trust itself, a copy of which is available from the Trustees.**

### *Certificates*

The Trust does not intend to issue certificates for Units. The registration of interests in and transfers of Units will be made only through a book-based system and will be evidenced by a single one or more global Unit certificates for an amount representing the aggregate number of such Units outstanding from time to time. On each completion of subscriptions for Units, a global unit certificate evidencing the aggregate number of Units issued at such closing will be delivered to a manager appointed by the Trustees and no certificates will be issued to any other Unitholders. Beneficial interests in Units must be purchased, transferred and surrendered for repurchase or redemption through the book-based system.

## **5.2 Subscription Procedure**

### *The Offering*

The Units are being offered for sale in the Provinces. The Units are conditionally offered if, as and when Subscriptions are accepted by the Trust and subject to prior sale. Subscriptions for Units will be received by the Trust subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

This Offering is being made in accordance with certain statutory prospectus exemptions contained in securities legislation in British Columbia, and pursuant to the terms of a discretionary exemption from the prospectus requirements of applicable securities legislation in Alberta, Saskatchewan and Manitoba. A copy of this discretionary exemption is included at the end of this Offering Memorandum. Such exemptions relieve the Trust from provisions under such statutes requiring the Trust to file a prospectus. The Trust does not utilize the services of a registered investment dealer for the purposes of the Offering. As such, Subscribers will not receive the benefits associated with the involvement of such registrants or the benefits associated with purchasing the Units pursuant to a filed prospectus, including the review of the material by the securities commissions or similar regulatory authority in such jurisdictions.

The Units are being offered on a continuous basis pursuant to exemptions from the prospectus and, where applicable, registration requirements of applicable securities legislation. In order to subscribe for Units, Subscribers must be resident in one of the Provinces, and must acknowledge having received and read a copy of this Offering Memorandum. As well, Units may only be issued to Approved Unitholders who are not non-residents of Canada for the purposes of the Tax Act.

### *Subscription Procedure*

Subscribers may subscribe for Units by returning to the Trust at 17474 - 56th Avenue, Surrey, BC V3S 1C2 a completed Subscription Form in the form of Schedule A to this Offering Memorandum. The subscriber should deliver the funds for their subscription pursuant to the instructions in their Subscription Form.

Each Subscriber will also be required to sign two copies of a Risk Acknowledgment (Form 45-106F4), attached as Appendix A to the Subscription Form and a Risk Acknowledgement under Blanket Orders Issued by Securities Commissions in the Northwest Jurisdictions, attached as Appendix B to the Subscription Form, before signing the Subscription Form, in accordance with the requirements of National Instrument 45-106. In accordance with the requirements of National Instrument 45-106, the Trust, or any law firm designated in the Subscription Form to hold the funds, will hold the subscription monies advanced by each Subscriber in trust for the Subscriber at least until midnight on the second business day after the Subscription Form is signed by the Subscriber.

Subscriptions received will be subject to rejection or allotment by the Trust in whole or in part in the Trustee's sole discretion. The Trust is not obliged to accept any subscription. If any subscription is not accepted, the Trust will promptly return to the Subscriber the Subscription Form and the money comprising such subscription. Confirmation of acceptance of a subscription will be forwarded to the Subscriber by the Trust. The Trust reserves the right to close the subscription books at any time without notice.

The Units have not been and will not be registered under the *United States Securities Act* of 1933, as amended, and subject to certain exceptions, may not be offered or sold in the United States.

**All subscription documents should be reviewed by prospective Subscribers and their professional advisers prior to subscribing for Units.**

## **Item 6 INCOME TAXES AND PLAN ELIGIBILITY**

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

### **6.2 Income Tax Consequences**

The following is a summary of the principal Canadian federal income tax considerations generally applicable to a Unitholder who acquires Units pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times, is resident in Canada for the purposes of the Tax Act, deals at arm's length and is not affiliated with the Trust and holds the Units as capital property. Generally, the Units will be considered to be capital property to a Unitholder provided such Units are not held in the course of carrying on a business and have not been acquired 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 treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Unitholders should consult their own tax advisors regarding their particular circumstances as such election would affect the income tax treatment of dispositions by the Unitholders of all of their Canadian securities.

This summary is not applicable to a Unitholder that is a "financial institution" for purposes of the "mark-to-market" rules or a "specified financial institution", or a Unitholder an interest in which is a "tax shelter investment" (all as defined in the Tax Act). This summary does not address the tax considerations of Unitholders borrowing money to acquire Units. All such Unitholders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of the Units acquired pursuant to this Offering. This summary describes certain principal Canadian federal income tax considerations based on the application of specific provisions of the Tax Act to the transactions described in the Offering Memorandum, and does not address any tax consequences which could arise as a result of any potential application of the general anti-avoidance rule in subsection 245(2) of the Tax Act to any particular transaction or series of transactions.

This summary is based on the facts set out in this Offering Memorandum and on certificates from the Trust as to certain factual matters. This summary is also based upon the provisions of the Tax Act and the regulations thereunder (the "Regulations") in force as of the date hereof and the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). This summary takes into account all specific proposals to amend the Tax Act and the Regulations thereunder which have been publicly announced by or on behalf of the Minister of Finance (Canada) (the "Minister") prior to the date hereof. There can be no assurance that

these proposals will be enacted in their current form or at all, or that the CRA will not change its administrative and assessing practices.

This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action. There can be no assurances that such changes, if made, might not be retroactive. **This summary also does not take into account provincial, territorial, or foreign tax legislation or considerations, which may differ significantly from those discussed in this summary.**

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the particular circumstances applicable to each Unitholder. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units. The Trust has not obtained, nor sought, an advance tax ruling from the CRA in respect of this Offering. Prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on their particular circumstances.**

### *Tax Status of the Trust*

#### *Qualification as a “Mutual Fund Trust”*

This summary assumes that the Trust qualifies as a “mutual fund trust” as defined in the Tax Act and will thereafter continuously qualify as a mutual fund trust at all relevant times. If the Trust does not qualify or ceases to qualify as a mutual fund trust, the income tax considerations described below would be materially different from those described in this summary, and in particular adverse consequences may arise including that (i) the Trust may become subject to certain additional tax liabilities (with the result that the amount of cash available for distribution by the Trust would be reduced and Unitholders may otherwise be adversely affected), and, (ii) unless at such time the Units are listed on a prescribed stock exchange, the Units will not be qualified investments for Plans (with the result that a Plan and/or its Annuitant will generally become subject to additional tax or penalties or may be otherwise adversely affected).

To qualify as a mutual fund trust at any particular time: (i) the Trust must be a unit trust (as defined in the Tax Act) resident in Canada; (ii) the Trust must not reasonably be considered to be established or maintained primarily for the benefit of non-residents of Canada; (iii) the Units must have conditions requiring the Trust to accept, at the demand of a Unitholder and at prices determined and payable in accordance with the conditions, the surrender of the Units that are fully paid (or alternatively the Trust must meet certain income and asset tests under the Tax Act applicable to unit trusts having non-redeemable units); (iv) the only undertaking of the Trust must be the investing of its funds in property (other than real property or an interest in real property), or the acquiring, holding, maintaining, improving, leasing or managing of real property (or an interest in real property) that is capital property of the Trust, or any combination of such activities; and (v) the Trust must comply with certain prescribed requirements (the “minimum distribution requirements”) including that the Units be qualified for distribution to the public and that at all relevant times there must be no fewer than 150 beneficiaries of the Trust, each of whom holds at least one block of Units having an aggregate fair market value of not less than \$500 each (for these purposes, a block of Units means 100 Units if the fair market value of one Unit is less than \$25, 25 Units if the fair market value of one Units is \$25 or more but less than \$100, and 10 Units if the fair market value of one Unit is \$100 or more).

#### *SIFT Measures*

The SIFT Measures are rules in the Tax Act regarding the federal income taxation of certain types of publicly listed or traded trusts and partnerships, and their investors (the “SIFT Measures”). The SIFT Measures effectively tax certain income of a publicly-listed or traded trust or partnership that is distributed to its investors as if the income were earned through a taxable corporation and distributed to its notional shareholders as a dividend.

The SIFT Measures apply to any “specified investment flow-through” (“SIFT”) and its investors. A SIFT is generally a Canadian resident trust (“SIFT trust”) or partnership (“SIFT partnership”) investments in which are listed or traded on a stock exchange or other public market, and which holds “non-portfolio property” (as defined in

the Tax Act). The effect of the SIFT Measures is that SIFT trusts and SIFT partnerships would be subject to a special tax (“SIFT tax”) on their non-portfolio earnings where such earnings are distributed or allocated to investors of the trust or partnership.

Certain distributions attributable to a SIFT’s “non-portfolio earnings” (the “non-deductible distributions amount”) will not be deductible in computing the SIFT’s income. The SIFT trust will be subject to SIFT tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. For those purposes, “non-portfolio earnings” generally includes income (other than taxable dividends) from, or capital gains realized on, “non-portfolio properties” in the taxation year. The non-deductible distributions amount will also be included in computing income of the Unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. Generally, distributions paid by a SIFT as returns of capital will not be subject to SIFT tax.

The SIFT Measures implementing the tax on SIFTs apply only to certain trusts or partnerships, the investments in which are listed or traded on a stock exchange or other public market. A public market is defined to include any trading system or other organized facility on which securities that are qualified for public distribution are listed or traded. Excluded from the definition, however, is any facility that operates solely to carry out the issuance of a security or its redemption, acquisition or cancellation by its issuer.

Provided that the Units are not listed or traded on a stock exchange or other public market, the Trust should not be subject to tax under the SIFT Measures. The Trust does not intend to list the Units on any stock exchange or other public market.

The balance of this summary assumes that the Units will not be listed or traded on a stock exchange or other public market and that the Trust will not be treated as a SIFT trust.

There can be no assurances that the treatment of SIFTs under the Tax Act will not be changed, or that administrative or assessing practices of the CRA will not develop, in a manner which adversely affects the Trust or Unitholders.

Should the Units be listed or traded on a stock exchange or other public market, the income tax considerations would in certain respects be materially different from those described in this summary. In particular the non-deductible distributions amount of the Trust, as previously described, would be taxable to the Trust (with the result that the amount of cash available for distribution by the Trust would be reduced), and such amount would also, depending on the circumstances, be included in the income of Unitholders for purposes of the Tax Act as taxable dividends.

### ***Taxation of the Trust***

The taxation year of the Trust is the calendar year. In each taxation year, the Trust will be subject to tax under Part I of the Tax Act on its income for purposes of the Tax Act for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Trust or if the Unitholder is entitled in that year to enforce payment of the amount.

The Trust will generally be required to include in computing income for a particular taxation year all interest on the Mainroad Loans that accrues to the Trust to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding year. The Trust will not be subject to tax on any amount received as a repayment of principal in respect of the Mainroad Loans. The Trust will also generally be required to include in computing its income for a particular taxation year any taxable capital gains arising from the disposition of property (including a disposition of the Mainroad Loans), any interest income on cash balances, and generally any other income realized from the Trust’s investment activities. If the Trust disposes all or part of the Mainroad Loans in a particular year it may generally be considered to receive a portion of the proceeds of disposition as accrued but unpaid interest, which will be required to be included in computing its income for purposes of the Tax Act in the year of disposition to the extent that it was not included in computing the Trust’s income in a previous year.

In computing its income for purposes of the Tax Act, the Trust may generally deduct reasonable administrative costs, interest and other expenses of a current nature incurred by it for the purpose of earning income. The Trust will be entitled to deduct reasonable expenses incurred by it in the course of issuing Units on a five-year straight line basis (subject to pro-rata for short taxation years).

A distribution by the Trust of property upon redemption of Units will be, for purposes of the Tax Act, treated as a disposition by the Trust of the property so distributed for proceeds of disposition equal to its fair market value. The Trust will realize a capital gain (or a capital loss) on the property so distributed to the extent that the proceeds of disposition of such property exceed (or are less than) the adjusted cost base of the property and any reasonable costs of disposition. The Declaration of Trust provides that the Trust may designate for purposes of the Tax Act any income or capital gains arising on or in connection with an *in specie* redemption of Units as being paid to the redeeming Unitholder, with the result that the taxable portion of such gains and income may generally be deductible by the Trust.

Under the Declaration of Trust, unless the Trustees resolve otherwise, an amount equal to all of the income (including taxable capital gains) of the Trust (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), plus the non-taxable portion of any net capital gain realized by the Trust, but excluding:

- A. income and taxable capital gains arising on or in connection with an *in specie* redemption of Units which are paid or payable by the Trust to redeeming Unitholders,
- B. capital gains, which may be offset by capital losses carried forward from prior years or if not so offset, the tax on which is recoverable by the Trust,
- C. income, which may be offset by non-capital losses, if any, carried forward from prior years, and
- D. net income and net realized capital gains of the Trust for the taxation year otherwise distributed or made payable to the Unitholders during such year.

will be payable in the year to Unitholders, subject to the qualifications described below.

The Declaration of Trust also provides that the income of the Trust in a taxation year will be distributed to Unitholders in the form of cash, additional Units or otherwise. Income of the Trust payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Trust in computing its taxable income.

Losses incurred by the Trust in a particular taxation year cannot be allocated to Unitholders, but may be deducted by the Trust, in the case of non-capital losses in the particular year and in the ensuing twenty taxation years, and in the case of capital losses in the particular year and in any future taxation year to the extent of capital gains, in computing taxable income of the Trust in accordance with, and subject to, applicable provisions of the Tax Act.

The Trust will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Trust's tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units. The Declaration of Trust provides that all or a portion of any income or taxable capital gain realized by the Trust as a result of that redemption may, at the discretion of the Trustee, be treated as income or taxable capital gain paid to, and designated as income or taxable capital gain of, the redeeming Unitholders, and thus generally deductible by the Trust in computing its income.

### ***Taxation of Unitholders***

#### ***Distributions***

A Unitholder will generally be required to include in computing income for a particular taxation year the portion of the net income for purposes of the Tax Act of the Trust for a taxation year, including net realized taxable capital gains, that is paid or payable by the Trust to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units, or otherwise. Any loss of the Trust for purposes of the Tax Act cannot be allocated to Unitholders.

The non-taxable portion of any net realized capital gains of the Trust that is paid or payable to a Unitholder in a taxation year will not be required to be included in computing the Unitholder's income for the year and should not reduce the adjusted cost base of Units held by the Unitholder. Any other amount paid or payable by the Trust in that year (other than as proceeds of disposition) that is in excess of the Trust's net income for that year will not generally be required to be included in the Unitholder's income for the year. However, where such an amount is paid or payable to a Unitholder, the Unitholder will be required to reduce the adjusted cost base of the Units by that amount. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Unitholder will immediately thereafter be nil.

The Declaration of Trust provides that net income and net taxable capital gains of the Trust for purposes of the Tax Act will be allocated among the Unitholders in the same proportion as distributions received by them, unless the Trustee otherwise determines.

The Declaration of Trust also provides that the Trust shall make the requisite designations permitted by the Tax Act such that the portion of net taxable capital gains of the Trust distributed to Unitholders as may reasonably be considered to be part of the amount that was included in computing income of Unitholders for purposes of the Tax Act will be deemed to be received by Unitholders in the year as a taxable capital gain. Any such designated amount will be subject to the general rules relating to the taxation of capital gains described below.

#### *Purchases of Units*

Since the net income of the Trust will be distributed on a monthly basis, a purchaser of a Unit may become taxable on a portion of the net income of the Trust that is accrued or realized by the Trust in a period before the time the Unit was purchased but which was not paid or made payable to Unitholders until the end of the period and after the time the Unit was purchased. A similar result may apply on an annual basis in respect of a portion of capital gains accrued or realized by the Trust in a year before the time the Unit was purchased but which is paid or made payable to a Unitholder at year end and after the time the Unit was purchased.

#### *Dispositions of Units*

On the disposition or deemed disposition of a particular Unit, a Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of such particular Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Trust that is otherwise required to be included in the Unitholder's income, including any capital gain realized by the Trust in connection with a redemption which has been designated by the Trust to the redeeming Unitholder. The taxation of capital gains and capital losses is described below.

The adjusted cost base of a Unit to a Unitholder will include the amount paid by the Unitholder for the Unit, subject to certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income (including net capital gains) will be the amount of income (including the applicable non-taxable portion of net capital gains) distributed by the issue of those respective Units. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly acquired Unit must be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before that acquisition. The non-taxable portion of distributions (other than the non-taxable portion of any net capital gains) received on a Unit will generally reduce the adjusted cost base of the Unit.

Where Units are redeemed and the redemption price is paid by the issuance to the redeeming Unitholder of Trust Notes, the proceeds of disposition to the Unitholder of Units will be equal to the fair market value of the Trust Notes issued. The cost of the Trust Notes issued to a Unitholder by the Trust upon redemption of Units will be equal to the fair market value of the Units disposed in exchange. The Unitholder will thereafter be required to include in computing income for purposes of the Tax Act interest on the Trust Notes, in accordance with the terms of such notes and the provisions of the Tax Act.

### *Taxation of Capital Gains and Capital Losses*

One-half of any capital gain realized by a Unitholder on a disposition or deemed disposition of Units and the amount of any net taxable capital gains designated by the Trust in respect of a Unitholder must generally be included in the Unitholder's income as a taxable capital gain in the taxation year in which the disposition occurs or in respect of which a net taxable capital gains designation is made by the Trust. One-half of any capital loss realized by a Unitholder on a disposition or deemed disposition of Units generally may be deducted by the Unitholder against taxable capital gains of the Unitholder in the year of disposition, and to the extent such losses exceed such gains, in the three preceding taxation years or in any subsequent taxation year in accordance with the provisions of the Tax Act.

A Unitholder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may also be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % computed with reference to its “aggregate investment income” (as defined in the Tax Act) for the year, which includes amounts in respect of taxable capital gains.

### *Alternative Minimum Tax*

The Tax Act provides for a special “alternative minimum tax” applicable to certain taxpayers including individuals and certain trusts, depending on the amount of their “adjusted taxable income”. In general terms, adjusted taxable income of a Unitholder who is an individual or a trust (and therefore the exposure of such Unitholder to liability for alternative minimum tax) must be increased by, among other things, any capital gains realized by such Unitholder on the disposition of Units and by any net income of the Trust that is paid or payable to such Unitholder and that has been designated as a taxable dividend or as a taxable capital gain.

## **6.3 Plan Eligibility**

Provided that at a particular time the Trust qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will be “qualified investments” (as defined in the Tax Act and the Regulations) at that time for trusts governed by Plans.

Where Units are qualified investments, Plans should generally not be taxable on any distributions on such Units or on any gains realized on the disposition of such Units. Funds withdrawn from a Plan (other than a TFSA) will generally be taxable to the Annuitant in the year of withdrawal. However, a Plan and its Annuitant may be subject to taxation in respect of an investment in Units in certain circumstances, including if the Units are, at any time, not a “qualified investment” or are a “prohibited investment” or are used in a transaction that is a prohibited “advantage” under the Tax Act for the Plan.

Generally, if at any time the Trust does not qualify or ceases to qualify as a mutual fund trust (as defined in the Tax Act), the Units will not be, or will cease to be, qualified investments (as defined in the Tax Act) for Plans at that time. Trust Notes that may be issued by the Trust to Unitholders on or in connection with redemption of Units will generally not be qualified investments for Plans. Where a Plan acquires a Trust Note that is not a qualified investment (“non-qualified investment” as defined in the Tax Act), or acquires or holds a Unit that is, or that becomes a non-qualified investment, adverse tax consequences will generally arise to the Plan and the Annuitant thereof, including that the Plan and, in the case of a RRIF, RRSP or TFSA (a “Relevant Plan”), the Annuitant may become subject to a penalty tax, or, in the case of an RESP, the RESP may have its tax exempt status revoked.

In addition, where a Relevant Plan acquires or holds a Unit or Trust Note that is, or becomes a “non-qualified investment” or a “prohibited investment” (as defined in the Tax Act) adverse tax consequences will arise to the Annuitant of the Relevant Plan, including that the Annuitant will be subject to a penalty tax of 50% of the fair market value of such non-qualified investment or prohibited investment. The Units and the Trust Notes should not be prohibited investments provided the Annuitant of a Relevant Plan does not hold a “significant interest” (as defined in the Tax Act) in the Trust or in any person or partnership that does not deal at arm’s length with the Trust, and provided the Annuitant deals at arm’s length with the Trust. Generally, an Annuitant should not have a significant interest in the Trust unless the Annuitant (either alone or together with persons with which the Annuitant does not deal at arm’s length) holds interests as a beneficiary under the Trust that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Trust. Similarly, an Annuitant should not

have a significant interest in any partnership or corporation which does not deal at arm's length with the Trust, provided that, in general terms, the Annuitant (alone or together with persons and partnerships with which the individual does not deal at arm's length) does not hold directly or indirectly 10% or more of the partnership interests or of the issued shares of any class of the capital stock of the corporation (or of any other corporation that is related to the corporation), as the case may be .

Where an "advantage" (as defined in the Tax Act) is extended to, or is received or receivable by, the Annuitant, the Relevant Plan, or any other person who does not deal at arm's length with the Annuitant, adverse tax consequences will arise to the Annuitant, including that the Annuitant may become subject to a penalty tax equal to 100% of the value of the advantage. Under the provisions of the Tax Act, such a prohibited "advantage" may in general terms include, among other benefits or amounts: (i) any benefit, loan or indebtedness that is conditional in any way on the existence of the Relevant Plan, with certain exceptions including loans and indebtedness having arm's length terms and conditions; (ii) income (including a capital gain) reasonably attributable to a "prohibited investment" or certain deliberate over-contributions; (iii) certain increases in the fair market value of Relevant Plan property reasonably considered to be attributable to transactions or events that would not have occurred in an open market of parties dealing at arm's length and that had as one of their main purposes to enable a person to benefit from a Relevant Plan's tax exemption; (iv) certain increases in the fair market value of Relevant Plan property reasonably considered to be attributable to payments received as or in lieu of a payment for services provided by the Annuitant (or non arm's-length person) or of returns on investment or proceeds of disposition of property owned by the Annuitant (or non arm's-length person) outside of the Relevant Plan; (v) income (including a capital gain) reasonably attributable to an amount received by an Annuitant (or non arm's-length person) paid in relation to property held in connection with a Relevant Plan and that was paid as or in lieu of a payment for services provided by the Annuitant (or non arm's-length person) or of returns on investment or proceeds of disposition; (vi) certain increases in the fair market value of a Relevant Plan's property due to a "swap transaction" (as defined in the Tax Act); or (vii) certain "strip transactions" (as defined in the Tax Act) one of the main purposes of which is to enable the Annuitant (or non-arm's length person) to use or obtain property held in connection with the Relevant Plan without including the value of the property in Annuitant's income. While the terms of the Trust allow for an Annuitant to transfer Units to or from a Relevant Plan, a swap transaction is defined to include any transfer of property to or from a Relevant Plan (other than as a contribution or withdrawal, as defined in the Tax Act) and thus where Units or other property have been transferred to or from a Relevant Plan (other than as a contribution or withdrawal, as defined in the Tax Act) any increase in the fair market value of property of a Relevant Plan may be considered an advantage. The circumstances under which an "advantage" might arise are broad and complex, the penalties are onerous, and there can be no assurances that administrative or assessing practices of the CRA will not develop in a manner which adversely affects Relevant Plans or their Annuitants.

**Unitholders and prospective investors should consult their own tax advisors for advice regarding the implications of acquiring, holding and disposing of any particular Unit in a Plan, including whether or not a Unit would be a "prohibited investment" or whether a particular transaction constitutes a prohibited "advantage" for a Plan and its Annuitant.**

#### **Item 7 COMPENSATION PAID TO SELLERS AND FINDERS**

The Trust does not intend to pay any sales fees in respect of the subscriptions for Units.

#### **Item 8 RISK FACTORS**

The purchase of Units involves a number of risk factors. An investment in the Units should be undertaken only by purchasers whose financial resources are sufficient to assume such risk and can afford a total loss of their investment and have no need to immediate liquidity in their investment. Prospective purchasers should carefully consider the information presented in this Information Memorandum before purchasing the securities offered hereunder, which includes but are not limited to the following risks.

### ***No Market for Units***

There is currently no market for the Units and it is not anticipated that any market will develop. Other than to a Plan for the transferee, the Units are not transferable. Consequently, holders of the Units may not be able to sell them readily, and Units may not be readily accepted as collateral for a loan. In such situations, securities requirements may prohibit or restrict transferability of Units. Consequently, holders of Units will not be able to resell their Units. See Item 10 “Resale Restrictions”. Purchasers should be prepared to hold these securities indefinitely and cannot expect to be able to liquidate their investment even in the case of an emergency. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long-term investment.

### ***No Guaranteed Return***

Although the investments in The Mainroad Loan and LP Loan has a stated annual interest rate and provision for annual payments to the Trust, there is no representation made by the Trustees that The Mainroad Loan and LP Loan has a guaranteed return to Unitholders, nor that losses will not be incurred by the Trust in respect of The Mainroad Loan and LP Loan. This Offering is not suitable for investors who cannot afford to assume significant risks in connection with their investments.

### ***Conflicts of Interest***

The Trustees are not in any way limited or affected in their ability to act for others who carry on business ventures for their its own account or be engaged in the ownership, acquisition and operation of businesses which compete with the Trust. In addition, the Trustees may establish in the future other trusts or other investment vehicles which have or may have investment objectives that are the same as or similar to those of the Trust and to act as Trustees to such Trusts. However, the Declaration of Trust includes a covenant of the Trustees to exercise their powers in good faith and in the best interests of the Trust.

### ***Reliance on Management***

Prospective purchasers assessing the risks and rewards of this investment should appreciate that they will, in large part, be relying on the good faith and expertise of the Trustees and of the management of Mainroad Holdings in respect of the operation of its businesses. The Trust does not maintain key person life insurance for any of these individuals. If Mainroad Holdings loses the services of one or more of these individuals, the business, financial condition and results of operations of Mainroad Holdings may be materially adversely affected, affecting the return on The Mainroad Loan and LP Loan.

### ***Operations of Mainroad Holdings***

The Trust’s return on its investment in The Mainroad Loan and LP Loan is dependent upon the continued successful business operations of Mainroad Holdings. Mainroad Holding’s operations are subject to numerous risks, including the factors listed below and other events and factors which are beyond the control of the Trust:

- (a) *General Economic Conditions* – Fluctuations in general economic conditions, which are beyond the control of the Trusts or the management of Mainroad Holdings, affect Mainroad Holdings. The revenue received from government and other construction and maintenance contracts may be fixed, adversely affecting Mainroad Holdings during periods when economic growth puts upward pressure on salaries, wages, and the cost of other goods necessary for Mainroad Holdings to provide services under such contracts. In periods of economic downturn, fewer road construction and maintenance contracts may be awarded, adversely affecting Mainroad Holdings’ revenue.
- (b) *Reliance on Government Contracts* – Mainroad Holdings is dependent on construction and maintenance contracts with provincial and municipal governments. The renewal of such contracts on their expiry is not guaranteed.

- (c) *Weather* – Mainroad Holdings provides road maintenance, including snow removal, in numerous regions with extreme weather conditions. The extent of which weather conditions affects the amount of work required by Mainroad Holdings to fulfill its contractual obligations is outside of its control and fluctuates year to year.
- (d) *Competition for Business Opportunities* – Mainroad Holdings operates in a highly competitive marketplace, with other operators competing for road construction and maintenance contracts based on service and price. Competitors could secure road construction and maintenance contracts currently held by Mainroad Holdings upon their expiry. The Trust cannot assure Unitholders that Mainroad Holdings will not face increased competition in the future or that it will maintain its current market share.
- (e) *Interest Rate Fluctuations* – To the extent that Mainroad Holdings maintains any operating loan facilities or other borrowings with variable interest rates, increases in underlying interest rates may adversely affect Mainroad Holdings.
- (f) *Potential Liability under Environmental Protection Legislation* – Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, Mainroad Holdings could become liable for the costs of removal or remediation of certain hazardous or toxic substances released or encountered in the course of its business. Such requirement may adversely affect Mainroad Holdings' income.
- (g) *Uninsured Losses* – Mainroad Holdings holds comprehensive insurance of the type and in the amounts customarily obtained for businesses similar to that operated by Mainroad Holdings. However, certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a loss occur with respect to any part of Mainroad Holdings' business, Mainroad Holdings could suffer a loss of capital invested and not realize any profits.

#### ***Risks Associated with Redemptions***

- (a) *Economic Conditions* – Changes in economic conditions and other reasons may cause Unitholders to be more likely to redeem their Units
- (b) *Use of Available Cash* – The payment in cash by the Trust of the redemption price of Units will reduce the amount of cash available to the Trust for the payment of distributions to the holders of Units, as the payment of the amount due in respect of redemptions will take priority over the payment of cash distributions.
- (c) *Limitation on Payment of Redemption Price in Cash* – The total cash amount available for the payment of the redemption price of Units by the Trust is limited to \$500,000 in each calendar quarter, subject to the Trustees, in their sole discretion, waiving such limitation.
- (d) *Payment of Redemption Price in Kind* – As a result of the foregoing limitations, the redemption of Units may be paid by way of a Trust Note. Trust Notes are payable over a term of five years or less with annual interest at the Canada Five-Year Yield. Trust Notes received as a result of redemptions of Units may not be liquid.

#### ***Tax Matters***

The return on the Unitholder's investment in the Units is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. There can be no assurance that tax laws, tax proposals, policies or regulations, or the interpretation thereof, will not be changed in a manner which will fundamentally alter the tax consequences to the Trust and to Unitholders acquiring, holding or disposing of Units.

### ***Risk Factors Relating to the Issuer's Tax Status***

If the Trust does not qualify or ceases to qualify as a “mutual fund trust” under the Tax Act, adverse consequences may arise including that: (i) the Trust may become liable to pay certain additional tax liabilities (with the result that the amount of cash available for distribution by the non-qualifying trust would be reduced and Unitholders may otherwise be adversely affected), and (ii) the Units may not be or may cease to be qualified investments for Plans (with the result that a Plan and/or its Annuitant will generally become subject to additional tax or penalties or may be otherwise adversely affected).

The exposure of the Issuer to the tax on SIFTs imposed by the SIFT Measures will depend on whether or not the Units will be listed or traded on a stock exchange or other public market. Where the Units are listed or traded on a stock exchange or public market, adverse consequences could arise including that the non-deductible distributions amount of the Trust, as previously described, could be taxable to the Trust (with the result that the amount of cash available for distribution by the Trust would be reduced), and such amount would also, depending on the circumstances, be included in the income of Unitholders for purposes of the Tax Act as taxable dividends. The Trust has no plans to have the Units listed or traded on a stock exchange or other public market.

There can be no assurances that Canadian federal income tax laws respecting the definition or treatment of mutual fund trusts and SIFTs will not be changed, or that administrative and assessing practices of the CRA will not develop, in a manner which adversely affects the Trust and the Unitholders.

### ***Tax Related Risk Factors Relating to Plans***

Generally, if at any time the Trust does not qualify or ceases to qualify as a mutual fund trust (as defined in the Tax Act), the Units will not be, or will cease to be, qualified investments (as defined in the Tax Act) for Plans at that time. Trust Notes that may be issued by the Trust to Unitholders on or in connection with redemption of Units will generally not be qualified investments for Plans. Where a Plan acquires a Trust Note that is not a qualified investment (“non-qualified investment” as defined in the Tax Act), or acquires or holds a Unit that is, or that becomes a non-qualified investment, adverse tax consequences will generally arise to the Plan and the Annuitant thereof, including that the Plan and, in the case of a RRIF, RRSP or TFSA (a “Relevant Plan”), the Annuitant may become subject to a penalty tax, or, in the case of an RESP, the RESP may have its tax exempt status revoked.

In addition, where a Relevant Plan acquires or holds a Unit or a Trust Note that is, or becomes a “non-qualified investment” or a “prohibited investment” (as defined in the Tax Act) adverse tax consequences will arise to the Annuitant of the Relevant Plan, including that the Annuitant will be subject to a penalty tax of 50% of the fair market value of such non-qualified investment or prohibited investment. The Units and the Trust Notes should not be prohibited investments provided the Annuitant of a Relevant Plan does not hold a “significant interest” (as defined in the Tax Act) in the Trust or in any person or partnership that does not deal at arm’s length with the Trust, and provided the Annuitant deals at arm’s length with the Trust. Generally, an Annuitant should not have a significant interest in the Trust unless the Annuitant (either alone or together with persons with which the Annuitant does not deal at arm’s length) holds interests as a beneficiary under the Trust that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Trust. Similarly, an Annuitant should not have a significant interest in any partnership or corporation which does not deal at arm’s length with the Trust, provided that, in general terms, the Annuitant (alone or together with persons and partnerships with which the individual does not deal at arm’s length) does not hold directly or indirectly 10% or more of the partnership interests or of the issued shares of any class of the capital stock of the corporation (or of any other corporation that is related to the corporation), as the case may be.

Where an “advantage” (as defined in the Tax Act) is extended to, or is received or receivable by, the Annuitant, the Relevant Plan, or any other person who does not deal at arm’s length with the Annuitant, adverse tax consequences will arise to the Annuitant, including that the Annuitant may become subject to a penalty tax equal to 100% of the value of the advantage. Under the provisions of the Tax Act, such a prohibited “advantage” may in general terms include, among other benefits or amounts: (i) any benefit, loan or indebtedness that is conditional in any way on the existence of the Relevant Plan, with certain exceptions including loans and indebtedness having arm’s length terms and conditions; (ii) income (including a capital gain) reasonably attributable to a “prohibited investment” or certain deliberate over-contributions; (iii) certain increases in the fair market value of Relevant Plan property reasonably considered to be attributable to transactions or events that would not have occurred in an open market of parties

dealing at arm's length and that had as one of their main purposes to enable a person to benefit from a Relevant Plan's tax exemption; (iv) certain increases in the fair market value of Relevant Plan property reasonably considered to be attributable to payments received as or in lieu of a payment for services provided by the Annuitant (or non arm's-length person) or of returns on investment or proceeds of disposition of property owned by the Annuitant (or non arm's-length person) outside of the Relevant Plan; (v) income (including a capital gain) reasonably attributable to an amount received by an Annuitant (or non arm's-length person) paid in relation to property held in connection with a Relevant Plan and that was paid as or in lieu of a payment for services provided by the Annuitant (or non arm's-length person) or of returns on investment or proceeds of disposition; (vi) certain increases in the fair market value of a Relevant Plan's property due to a "swap transaction" (as defined in the Tax Act); or (vii) certain "strip transactions" (as defined in the Tax Act) one of the main purposes of which is to enable the Annuitant (or non-arm's length person) to use or obtain property held in connection with the Relevant Plan without including the value of the property in Annuitant's income. While the terms of the Trust allow for an Annuitant to transfer Units to or from a Relevant Plan, a swap transaction is defined to include any transfer of property to or from a Relevant Plan (other than as a contribution or withdrawal, as defined in the Tax Act) and thus where Units or other property have been transferred to or from a Relevant Plan (other than as a contribution or withdrawal, as defined in the Tax Act) any increase in the fair market value of property of a Relevant Plan may be considered an advantage. The circumstances under which an "advantage" might arise are broad and complex, the penalties are onerous, and there can be no assurances that administrative or assessing practices of the CRA will not develop in a manner which adversely affects Relevant Plans or their Annuitants.

**Unitholders and prospective investors should consult their own tax advisors for advice regarding the implications of acquiring, holding and disposing of any particular Unit in a Plan, including whether or not a Unit would be a "prohibited investment" or whether a particular transaction constitutes a prohibited "advantage" for a Plan and its Annuitant.**

#### ***Other Tax Related Risk Factors***

The tax treatment of investment activities of the Issuer have a material effect on the advisability of an investment in the Units (refer to Item 6 "Income Taxes and Plan Eligibility").

The after-tax return from an investment in Units to Unitholders who are subject to Canadian income tax can be made up of both a return on and a return of capital, and will depend in part on the composition for purposes of the Tax Act of distributions paid by the Trust (portions of which distributions may be fully or partially taxable). Subject to the SIFT Measures, income of the Trust distributed to a Unitholder is generally taxed in the hands of the Unitholder as ordinary income or capital gains. Amounts in excess of the income of the Trust that are paid or payable by the Trust to a Unitholder are generally non-taxable to a Unitholder (but reduce the Unitholder's adjusted cost base of the Units for purposes of the Tax Act). Unitholders are advised to consult their own tax advisors with respect to the implications of the foregoing in their own circumstances.

The Declaration of Trust provides that the Trust shall, subject to the Trustee resolving otherwise, distribute to Unitholders in each year an amount of net income and net realized capital gains in order to eliminate the Trust's liability for tax under Part I of the Tax Act. Distributions may be made to Unitholders in the form of cash, additional Units or such other manner approved by the Trustees. In the case of the issuance of additional Units, Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income notwithstanding that they do not directly receive a cash distribution.

There can be no assurance that Canadian federal income tax laws (or the judicial interpretation thereof or the administrative and assessing practices of the CRA) and/or the definition or treatment of "mutual fund trusts" or SIFTs will not be changed in a manner which would adversely affect the Unitholders, including on a retroactive basis.

The rules governing the Canadian federal income taxation of Unitholders are complex. The summary in Item 6 "Income Taxes and Plan Eligibility" does not address or consider all aspects of Canadian federal income tax of an investment in the Trust and does not consider provincial, territorial, or other foreign tax legislation or considerations. Prospective investors should consult their own professional advisors as to the tax consequences to them of making an investment in, and of holding, Units offered herein.

**For all of the aforesaid reasons and others set forth herein, the Units involve a certain degree of risk. Any person considering the purchase of Units should be aware of these and other factors set forth in this Information Memorandum and should consult with his or her legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their investment.**

#### **Item 9 REPORTING OBLIGATIONS**

As the Trust is not a “reporting issuer” as defined in the applicable securities legislation, the continuous reporting requirements of those acts do not generally apply to the Trust. The Trust will, however, on or before March 31 in each calendar year, provide to each Unitholder annual financial statements and all other information required to file Canadian income tax returns.

The Trust intends to make available to Unitholders the Trust’s audited annual financial statements so long as the Trust relies on the offering memorandum exemption contained in section 2.9 of National Instrument 45-106.

#### **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, Subscribers will not be able to trade the Units unless they comply with an exemption from the prospectus and registration requirements under securities legislation

For Subscribers resident in British Columbia, unless permitted under securities legislation, Subscribers cannot trade the securities before the date that is four months and a day after the date the Trust becomes a reporting issuer in any province or territory of Canada. There is no present intention on the part of the Trust to become a reporting issuer, and hence this restriction will apply indefinitely. For Subscribers resident in Alberta, Saskatchewan or Manitoba, unless permitted under securities legislation, the Units may only be traded to that Unitholder’s Plan.

#### **Item 11 PURCHASERS' 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.

- (i) **Two Day Cancellation Right** - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.
- (ii) **Statutory Rights of Action in the Event of a Misrepresentation**

If there is a misrepresentation in this Offering Memorandum, you may have a right to sue:

- A. the Issuer to cancel your agreement to buy the Units; or
- B. for damages against the Issuer, every person who was a Trustee at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in A or B above, you must do so within strict time limitations. You must commence your action to cancel the Subscription Agreement within 180 days after you signed the agreement to purchase the Units.

You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation, or,

- if you are a resident of British Columbia or Alberta three years after, or
- if you are a resident of Manitoba, two years after, or
- if you are a resident of Saskatchewan, six years after

the date you signed the agreement to purchase the Units.

**Item 12**  
**FINANCIAL STATEMENTS**

See Next Page

(The Trust has not requested its auditor to consent to the inclusion of the auditor's report on the Trust's annual financial statements included in this offering memorandum.)

Financial Statements of

# **MAINROAD INVESTMENT TRUST**

Years ended December 31, 2015 and 2014



**KPMG LLP**  
**Chartered Professional Accountants**  
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Vancouver BC V7Y 1K3  
Canada

Telephone (604) 691-3000  
Fax (604) 691-3031  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **INDEPENDENT AUDITORS' REPORT**

To the Unitholders of Mainroad Investment Trust

We have audited the accompanying financial statements of Mainroad Investment Trust, which comprise the statements of financial position as at December 31, 2015, December 31, 2014 and January 1, 2014, the statements of comprehensive income, changes in unitholders' equity and cash flows for the years ended December 31, 2015 and December 31, 2014, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mainroad Investment Trust as at December 31, 2015, December 31, 2014 and January 1, 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

*KPMG LLP*

Chartered Professional Accountants

February 25, 2016

Vancouver, Canada

# MAINROAD INVESTMENT TRUST

## Statements of Financial Position

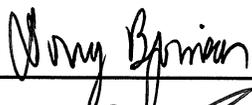
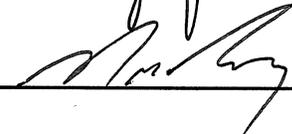
|                               | December 31,<br>2015 | December 31,<br>2014 | January 1,<br>2014   |
|-------------------------------|----------------------|----------------------|----------------------|
| <b>Assets</b>                 |                      |                      |                      |
| Cash                          | \$ 640,203           | \$ 480,526           | \$ 3,001,385         |
| Accrued interest receivable   | -                    | 41,354               | -                    |
| Prepaid expenses and deposits | 3,512                | 4,581                | 27,688               |
| Loans receivable (note 3)     | 32,900,000           | 31,300,000           | 28,405,130           |
|                               | <u>\$ 33,543,715</u> | <u>\$ 31,826,461</u> | <u>\$ 31,434,203</u> |

## Liabilities and Unitholders' Equity

|                              |                      |                      |                      |
|------------------------------|----------------------|----------------------|----------------------|
| Liabilities:                 |                      |                      |                      |
| Accrued liabilities          | \$ 12,374            | \$ 14,066            | \$ 12,184            |
| Unitholders' equity (note 4) | 33,531,341           | 31,812,394           | 31,422,019           |
|                              | <u>\$ 33,543,715</u> | <u>\$ 31,826,460</u> | <u>\$ 31,434,203</u> |

The accompanying notes are an integral part of these financial statements.

On behalf of the Trust:

|  |         |
|--|---------|
| <br>_____ | Trustee |
| <br>_____ | Trustee |

# MAINROAD INVESTMENT TRUST

## Statements of Comprehensive Income

Years ended December 31, 2015 and 2014

|                               | 2015         | 2014         |
|-------------------------------|--------------|--------------|
| Revenue:                      |              |              |
| Interest income               | \$ 3,387,423 | \$ 3,434,671 |
| Expenses:                     |              |              |
| Professional fees             | 44,729       | 44,094       |
| Administration fees           | 17,349       | 18,616       |
| Interest and bank charges     | 1,182        | 6,654        |
|                               | 63,260       | 69,364       |
| Comprehensive income          | \$ 3,324,163 | \$ 3,365,307 |
| Comprehensive income per unit | 1.00         | 1.00         |

The accompanying notes are an integral part of these financial statements.

# MAINROAD INVESTMENT TRUST

## Statements of Unitholders' Equity

Years ended December 31, 2015 and 2014

|   | Units       | 2015<br>Amount | Units       | 2014<br>Amount |
|---|-------------|----------------|-------------|----------------|
| Balance, beginning of years             | 31,812,395  | \$ 31,812,395  | 31,422,020  | \$ 31,422,020  |
| Comprehensive income                    | -           | 3,324,163      | -           | 3,365,307      |
| Issuance of units                       | 2,455,030   | 2,455,030      | 1,686,316   | 1,686,316      |
| Redemption of units                     | (2,133,176) | (2,133,176)    | (2,792,862) | (2,792,862)    |
| Distribution of income in cash          | -           | (1,927,071)    | -           | (1,868,386)    |
| Distribution of income in form of units | 1,397,092   | -              | 1,496,921   | -              |
| Balance, end of years                   | 33,531,341  | \$ 33,531,341  | 31,812,395  | \$ 31,812,395  |

The accompanying notes are an integral part of these financial statements.

# MAINROAD INVESTMENT TRUST

## Statements of Cash Flows

Years ended December 31, 2015 and 2014

|  | 2015               | 2014               |
|--|--------------------|--------------------|
| Cash provided by (used in):                        |                    |                    |
| Operating activities:                              |                    |                    |
| Comprehensive income                               | \$ 3,324,163       | \$ 3,365,307       |
| Adjustments for:                                   |                    |                    |
| Decrease (increase) in accrued interest receivable | 41,354             | (41,354)           |
| Decrease in prepaid expenses and deposits          | 1,069              | 23,107             |
| Increase in loans receivable                       | (1,600,000)        | (2,900,000)        |
| (Decrease) increase in accrued liabilities         | (1,692)            | 1,883              |
| Amortization of deferred financing costs           | -                  | 5,130              |
|  | <u>1,764,894</u>   | <u>454,073</u>     |
| Financing activities:                              |                    |                    |
| Issuance of unitholders' equity                    | 2,455,030          | 1,686,316          |
| Distribution of income in cash                     | (1,927,071)        | (1,868,386)        |
| Redemption of units                                | (2,133,176)        | (2,792,862)        |
|  | <u>(1,605,217)</u> | <u>(2,974,932)</u> |
| Increase (decrease) in cash                        | 159,677            | (2,520,859)        |
| Cash, beginning of years                           | 480,526            | 3,001,385          |
| Cash, end of years                                 | <u>\$ 640,203</u>  | <u>\$ 480,526</u>  |

The accompanying notes are an integral part of these financial statements.

# MAINROAD INVESTMENT TRUST

Notes to Financial Statements

Years ended December 31, 2015 and 2014

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## 1. The Trust:

Mainroad Investment Trust (the "Trust") is an unincorporated open-ended limited purpose trust formed pursuant to the Declaration of Trust dated October 27, 2009 under, and governed by, the laws of the Province of British Columbia and resident in Canada. The Trust has been established for investment purposes.

The address of the Trust's registered office is at 17474 56th Avenue, Surrey, British Columbia.

## 2. Basis of preparation:

### (a) Statement of compliance:

The financial statements of the Trust have been prepared in compliance with International Financial Reporting Standards ("IFRS"). This is the first time that the Trust has prepared its financial statements in accordance with IFRS, and IFRS 1, First – Time Adoption of International Financial Reporting Standards, has been applied. The Trust's financial statements were previously prepared with Canadian Accounting Standards for Private Enterprises ("ASPE"). Details of transition from ASPE to IFRS are provided in note 7. These financial statements were authorized for issue by the Trustees on February 25, 2016.

### (b) Basis of measurement:

These financial statements have been prepared on a historical cost basis.

### (c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

### (d) Use of estimates and judgment:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### (e) Cash:

Cash includes all cash on demand and on short notice and all deposits with original terms of maturity of less than three months.

# MAINROAD INVESTMENT TRUST

Notes to Financial Statements (continued)

Years ended December 31, 2015 and 2014

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## 2. Basis of preparation (continued):

### (f) Financial instruments:

#### (i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: held-for-trading, fair value through profit or loss ("FVTPL"), available-for-sale, loans and receivables, assets held-to-maturity, and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as held-for-trading or fair value through profit or loss in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities held for trading or at fair value through profit or loss are recognized initially on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Trust has not classified any of its financial instruments as held-for-trading, FVTPL, available-for-sale or assets held-to-maturity.

#### (ii) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of loans and receivables is at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate. The Trust classifies cash as loans and receivables.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

# MAINROAD INVESTMENT TRUST

Notes to Financial Statements (continued)

Years ended December 31, 2015 and 2014

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## 2. Basis of preparation (continued):

### (f) Financial instruments (continued):

#### (iii) Other financial liabilities:

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Trust's other financial liabilities are comprised of accrued liabilities.

#### (iv) Derecognition:

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized), and the consideration received (including any new asset obtained less any new liability assumed) is recognized in comprehensive income as net realized gain (loss) on investments and derivatives.

The Trust derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

### (g) Unitholder's equity:

With certain restrictions, the Trust's units are redeemable at the option of the holder, and, therefore, are considered puttable instruments in accordance with IAS 32, "Financial Instruments - Presentation" ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity.

To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro-rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class in (ii) above must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in fair value of the instrument.

The Trust's units meet the conditions of IAS 32 and accordingly are presented as equity in the financial statements.

# MAINROAD INVESTMENT TRUST

Notes to Financial Statements (continued)

Years ended December 31, 2015 and 2014

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## 2. Basis of preparation (continued):

(h) Comprehensive income per unit:

Comprehensive income per unit is calculated by dividing comprehensive income by the weighted average number of units outstanding during the period.

(i) Income recognition:

Interest income is recognized on an accrual basis using the effective interest method.

(j) Income taxes:

Pursuant to the Declaration of Trust, the Trustees are required to distribute all of the Trust's taxable income to Trust Unitholders and to deduct such distributions for income tax purposes each year so as to not be liable for income tax under Part I of the Income Tax Act (Canada) (the "Act"). Income tax obligations relating to distributions of the Trust are the obligations of the Trust Unitholders. The Trust intends to continue to operate in such a manner so as to qualify as a "mutual fund trust", and not be a "specified investment flow-through trust", pursuant to applicable provisions of the Act. Consequently, no provision has been made for income taxes under the Act on income earned by the Trust.

(k) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for year ended December 31, 2015, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statement of the Trust, with the possible exception of IFRS 9, Financial Instruments.

The IFRS 9 deals with recognition, derecognition, classification and measurement of financial instruments, and its requirements and represent a significant change from the existing requirements in IAS 39, Financial Instruments: Recognition and Measurement, in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

# MAINROAD INVESTMENT TRUST

Notes to Financial Statements (continued)

Years ended December 31, 2015 and 2014

## 2. Basis of preparation (continued):

(k) New standards and interpretations not yet adopted (continued):

This standard becomes effective for the Trust's 2018 fiscal year, but early adoption is permitted. Management is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since the Trust's financial assets are currently measured at fair value or amortized cost.

## 3. Loans receivable:

|                               | December 31,<br>2015 | December 31,<br>2014 | January 1,<br>2014 |
|-------------------------------|----------------------|----------------------|--------------------|
| Loans receivable              | \$ 32,900,000        | \$ 31,300,000        | \$ 28,400,000      |
| Deferred financing cost       | 26,250               | 26,250               | 26,250             |
| Less accumulated amortization | (26,250)             | (26,250)             | (21,120)           |
| Amortized cost                | \$ 32,900,000        | \$ 31,300,000        | \$ 28,405,130      |

The above are a non-revolving term loans receivable from Mainroad Holdings Ltd. and Mainroad Limited Partner Ltd. with portions bearing interest at 8% to 13% per annum. The loans receivable are secured by general security agreements in second priority to all security provided on Mainroad's bank indebtedness and long-term debt, with portions due from 2016 through 2020 but with 5-year extensions available. All principal payments are postponed to the prior payments of the respective companies' bank indebtedness and long-term debts.

The loans receivable include a demand portion of \$1,500,000 (2014 - \$2,000,000) plus an additional \$8,000,000 due in 2016. These amounts are postponed to the priority over security and principal repayments of Mainroad's bank indebtedness and long-term debt.

Amortization of deferred financing cost of \$nil (2014 - \$5,130) is included in interest and bank charges on the statement of comprehensive income.

# MAINROAD INVESTMENT TRUST

Notes to Financial Statements (continued)

Years ended December 31, 2015 and 2014

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## 4. Unitholders' equity:

|                                  | 2015                 | 2014                 |
|----------------------------------|----------------------|----------------------|
| Authorized:                      |                      |                      |
| Unlimited Class A special shares |                      |                      |
| Issued:                          |                      |                      |
| Class A special shares           | \$ 33,531,341        | \$ 31,812,394        |
|                                  | <u>\$ 33,531,341</u> | <u>\$ 31,812,394</u> |

Unitholders' equity represents the initial capital contribution to the Trust made by the Settlor of the Trust, adjusted for subsequent unit issuances, redemptions, comprehensive income, and distributions of comprehensive income.

Each Trust Unit entitles the Trust Unitholder to the same rights and obligations as any other Trust Unitholder and no Trust Unitholder is entitled to any privilege, priority or preference in relation to any other Trust Unitholders.

Each Trust Unitholder is entitled to participate equally with respect to any and all distributions of comprehensive income and net realized capital gains. On termination, the Trust Unitholders of record are entitled to receive all of the assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses of the Trust.

Distributions of comprehensive income and net realized capital gains to each Trust Unitholder is made on a monthly basis, based on each Unitholder's percentage of overall ownership at the end of the preceding month.

Each Trust Unitholder is permitted to demand, from the Trust, redemption of all or any part of their Trust units at the prices outlined and payable in accordance with the terms of the Declaration of Trust. However, such redemptions are limited to a maximum of \$500,000 in redemptions for each quarter of the calendar year.

# MAINROAD INVESTMENT TRUST

Notes to Financial Statements (continued)

Years ended December 31, 2015 and 2014

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## 5. Fair value of financial instruments:

### (a) Fair value hierarchy financial statements measured at fair value:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Trust determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Trust measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: inputs that are unobservable.

### (b) Financial instruments not measured at fair value:

The carrying amount of cash, loans receivable, accrued liabilities and unitholders' equity approximate their fair value. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

# MAINROAD INVESTMENT TRUST

Notes to Financial Statements (continued)

Years ended December 31, 2015 and 2014

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## 6. Financial risk management:

### (a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust, resulting in a financial loss to the Trust. It arises principally from loans receivable due to the Trust. The carrying value of these financial instruments as recorded in the statements of financial position reflects the Trust's maximum exposure to credit risk.

### (b) Liquidity risk:

Liquidity risk is the risk that the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Trust's policy and the Trustee's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, including estimated redemptions of units, without incurring unacceptable losses or risking damage to the Trust's reputation.

The Declaration of Trust provides for the continuous subscription and redemption of units and is therefore exposed to liquidity risk of meeting unitholders redemptions at each redemption date.

### (c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate risk as its loans receivable are long-term.

# MAINROAD INVESTMENT TRUST

Notes to Financial Statements (continued)

Years ended December 31, 2015 and 2014

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## 7. Transition to IFRS:

The nature and the effect of the Trust's transition to IFRS is summarized below.

(a) Classification of units issued by the Trust:

On transition to IFRS, the Trustee has reassessed whether the Trust's units meet the criteria in IAS 32 for classification as equity. Under ASPE, the Trust accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Trust's units do meet the criteria in IAS 32 for classification as equity and therefore, there is no change to the classification of the Trust's on transition to IFRS.

(b) Reconciliation of equity and comprehensive income as previously reported under ASPE to IFRS:

There were no recognition or measurement changes as a result of the Trust's transition to IFRS. Accordingly, no adjustments to equity or comprehensive income as previously reported under ASPE were required.

(c) Transition elections:

No adjustments to measurement were required as the Trust chose not to adopt any voluntary elections upon transition to IFRS.

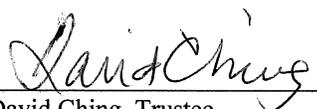
**Item 13  
DATE AND CERTIFICATE**

Dated: March 1, 2016

**This Offering Memorandum does not contain a misrepresentation.**

  
\_\_\_\_\_  
Doug Bjornson, Trustee (acting CFO)

  
\_\_\_\_\_  
Noel Mankey, Trustee (acting CEO)

  
\_\_\_\_\_  
David Ching, Trustee

## Appendix

Discretionary Exemption for Purposes of Distribution of Units to  
Residents of Alberta, Saskatchewan and Manitoba

In the Matter of  
the Securities Legislation of  
Alberta (the **Jurisdiction**)

and

In the Matter of  
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of  
Mainroad Investment Trust (the **Filer**)

Decision

**Background**

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for an exemption from the prospectus requirement of the Legislation in connection with the distribution of Units of the Filer (as defined below) to Eligible Employee Purchasers (as defined below) (the **Exemption Sought**) residing in Alberta, Saskatchewan and Manitoba.

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

- (a) the Alberta Securities Commission is the principal regulator for this application; and
- (b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in Saskatchewan and Manitoba.

**Interpretation**

Terms defined in National Instrument 14-101 *Definitions* or MI 11-102 have the same meaning if used in this decision, unless otherwise defined herein.

**Representations**

This decision is based on the following facts represented by the Filer:

1. The Filer's head office is located in British Columbia (**BC**) and accordingly, pursuant to section 4.2 of MI 11-102, the BC Securities Commission would be the Filer's principal regulator for this application.
2. The Filer proposes that the Alberta Securities Commission serve as the principal regulator for this application on the basis that, as contemplated by section 4.5(1) of MI 11-102, the Filer is not seeking relief in BC.

3. The Filer is an unincorporated open-ended limited purpose trust created under the laws of BC, pursuant to a Declaration of Trust dated 27 October 2009. The trustees of the Filer (the **Trustees**) are senior executives of Mainroad Holdings Ltd. (the **Company**). Each of the Trustees is resident in BC.
4. The Company and its predecessors commenced operations in 1988. Since that time, the Company has evolved into a group of companies, partnerships, limited partnerships, joint ventures and other entities providing roadway construction and maintenance services and general commercial construction and related services in BC.
5. The Filer is not a reporting issuer in any jurisdiction of Canada and its securities are not listed or traded on any marketplace or exchange.
6. The Filer is authorized to issue an unlimited number of redeemable units of beneficial interest in the Filer (the **Units**). As of the date hereof, an aggregate of 29,418,907.03 Units are issued and outstanding, held by 224 persons. Each Unit is issued at a price of \$1.00.
7. Each Unit entitles a holder (a **Unitholder**) to the same rights and obligations as any other Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholders. Each Unitholder is entitled to participate equally with respect to any and all distributions made by the Filer to the Unitholders, including distributions of net income and net realized capital gains. On termination of the Filer, the Unitholders of record are entitled to receive all of the assets of the Filer remaining after payment of all debts, liabilities and liquidation expenses of the Filer.
8. The Filer was established for investment purposes. The Filer has and will continue to invest the proceeds from the distribution of Units solely in loans (the **Mainroad Loans**) made to the Company and Mainroad Limited Partner Ltd. (**MLP**), a wholly-owned subsidiary of the Company, or other wholly-owned direct or indirect subsidiaries of the Company for use in MLP's operations.
9. Pursuant to various loan agreements governing the Mainroad Loans, the Filer has lent funds directly and indirectly to MLP, which funds have been used by MLP in its operations. MLP may prepay any or all of the Mainroad Loans at any time, without notice, upon payment of a penalty equal to three months interest on the amount so prepaid. The Mainroad Loans are secured by a general security agreement and are subordinated to senior debt of the Company and its subsidiaries.
10. The Filer will restrict eligibility for investment to Unitholders who are the following classes of persons (the **Eligible Employee Purchasers**):
  - (a) an employee of the Company or of a Related Entity (as defined below);

- (b) a spouse of an employee of the Company or a spouse of an employee of a Related Entity;
  - (c) a Consultant (as defined below); and
  - (d) a trustee for a trust governed by a registered education savings plan, registered retirement income fund, registered retirement savings plan or tax free savings account, the beneficiary of which is a person described in (a) through (c) above (a **Plan**).
11. The Filer has distributed Units to Eligible Employee Purchasers resident in BC in a number of tranches commencing in December 2009. The Filer has relied on the offering memorandum exemption in section 2.9 of NI 45-106 (the **OM Exemption**) in respect of these distributions. The Units are distributed concurrently with common shares issued by the Company to Eligible Employee Purchasers.
  12. The Company distributes common shares to Eligible Employee Purchasers under the employee exemption (the **Employee Exemption**) in section 2.24 of National Instrument 45-106 *Prospectus and Registration Exemptions (NI 45-106)*. The basis for these distributions is to compensate the Eligible Employee Purchasers and to align the economic interests of the Company and the Eligible Employee Purchasers so as to provide the Eligible Employee Purchasers an opportunity to participate in the growth of the Company's business.
  13. The Company is expanding its business operations to Alberta, Saskatchewan and Manitoba and would like to provide its direct and indirect employees in those jurisdictions with the same opportunity to invest in Units of the Filer (and, indirectly, debt securities of the Company and MLP) as is available to its BC resident employees.
  14. The Filer is unable to rely on the offering memorandum exemption to distribute the Units to the Eligible Employee Purchasers residing in Alberta, Saskatchewan and Manitoba because the Filer is a redeemable investment fund.
  15. The Company is not a related entity of the Filer and the Filer is not a related entity of the Company, as such term is defined in section 2.22 of NI 45-106. Therefore the Company and MLP cannot rely on the Employee Exemption in respect of the distribution of the Units to Eligible Employee Purchasers as the Units are securities of the Filer, not the Company. Further, the Filer cannot rely on the Employee Exemption as it is not the employer of the Eligible Employee Purchasers for the purposes of the Employee Exemption.
  16. For the purposes of this decision, a Related Entity of the Company is an entity that the Company controls. The Company shall be considered to control another entity if the Company has the power to direct the management and policies of such other entity, by virtue of:

- (a) ownership of or direction over voting securities of such entity, including securities carrying votes that if exercised, would enable the election of a majority of the directors of the entity;
  - (b) a written agreement;
  - (c) holding, directly or indirectly, more than 50% of the partnership interest of such entity, if such entity is a general partnership; or
  - (d) being the general partner or controlling general partner of such entity, if such entity is a limited partnership.
17. For the purposes of this decision, a Consultant shall be a person (other than a director, officer, or employee of the Company or a Related Entity) that:
- (a) is engaged to provide services to the Company or a Related Entity, other than services relating to the distribution of securities;
  - (b) provides the services under a written contract with the Company or a Related Entity; and
  - (c) spends or will spend a significant amount of time and attention on the affairs and business of the Company or a Related Entity;
- and includes:
- (d) for an individual Consultant, a corporation of which the individual is an employee or shareholder and a partnership of which the individual is an employee or partner; and
  - (e) for a Consultant that is not an individual, an employee, executive officer or director of the Consultant, provided that the individual, executive officer or director spends or will spend a significant amount of time and attention on the business and affairs of the Company or a Related Entity.
18. Unitholders are not induced to purchase Units of the Filer by expectation of employment or continued employment by the Company or a Related Entity.
19. The Filer may make a distribution to each Unitholder on a monthly basis in an amount equal to such percentage of the distributable income of the Filer for such month as the Trustees determine. On the last day of each year, an amount equal to the net income of the Filer and the net realized capital gains for such year not previously made payable to or treated as having been paid to Unitholders in such year is automatically payable to Unitholders.

20. Unitholders may require the Filer to redeem their Units at any time upon demand, subject to applicable law and certain other conditions. Units will be redeemed at a redemption price per Unit to be determined by reference to the net asset value of the Filer and the Unitholder's pro rata interest in the Filer represented by the number of Units held.
21. Units are not transferable by Unitholders other than to a Plan.
22. The Trustees have the exclusive authority to manage the operations and affairs of the Filer and to make all decisions regarding the Filer. The Trustees receive no direct compensation or remuneration from the Filer in their capacity as Trustees.
23. The Company and its subsidiaries provide certain accounting and record keeping services to the Filer, including the processing of subscriptions for Units and requests for redemptions of Units, the maintenance of the Filer's securities registers, the preparation of the Filer's accounting records and financial statements and the coordination of the audit thereof, and the preparation of the Filer's tax reports, disclosure documents and other regulatory filings.
24. The Filer is not and has no intention of becoming a reporting issuer in any jurisdiction of Canada and accordingly will not be subject to continuous reporting requirements. However, on or before March 31 in each calendar year, the Filer provides to each Unitholder annual financial statements and all other information required to file Canadian income tax returns.
25. For the purposes of the distribution of Units to residents of BC, the Filer has and will continue to rely on the OM Exemption and has prepared an offering memorandum, including audited annual financial statements of the Filer and the requisite certificate page executed by the Trustees (the **Offering Memorandum**). As required by the terms of the OM Exemption, the Filer provides prospective purchasers with a risk acknowledgment form (the **Risk Acknowledgement Form**) and a two-day rescission period to cancel their purchase.
26. The Filer intends to provide the Offering Memorandum and Risk Acknowledgement Form (with revised certificate pages to conform to the securities legislation of Alberta, Saskatchewan and Manitoba) to Eligible Employee Purchasers residing in Alberta, Saskatchewan and Manitoba.
27. The Filer has not and does not intend to utilize the services of an investment dealer to promote or facilitate the distribution of Units. The Filer also considers that its principal business activity is not the distribution of securities for fee or profit but rather to facilitate the indirect investment in debt securities of the Company and MLP on behalf of Eligible Employee Purchasers.

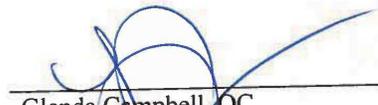
28. Prospective purchasers of Units are informed by the Trustees of the availability of an investment in the Filer on an annual basis. Neither the Company nor the Filer provide any guidance or advice as to the suitability of an investment in the Units by a potential purchaser. No fee or commission is paid by purchasers or deducted from the subscription proceeds from the sale of the Units.
29. The Filer does not engage in any active discretionary portfolio management activities of the nature undertaken by a typical portfolio manager. The investment decisions made by the Filer are restricted to investing in Mainroad Loans from time to time and the making of demands for repayment to fund redemption requests of Unitholders.
30. The role of the Trustees relating to investment management activities will be limited given that the Filer will only hold Mainroad Loans and the fact the Company maintains the register of Unitholders, performs the necessary recordkeeping and coordinates the preparation of the Filer's Offering Memorandum and financial statements.

**Decision**

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the Decision Maker under the Legislation is that the Exemption Sought is granted provided that:

- (a) the Offering Memorandum and Risk Acknowledgement Form are provided to potential purchasers of Units prior to entering into an agreement to purchase Units, and the two-day rescission period contemplated by section 2.9(6) of NI 45-106 is provided to purchasers;
- (b) no commission or other remuneration is paid or payable in respect of the distribution of the Units;
- (c) the first trade of Units acquired pursuant to this decision is a distribution, unless the trade is to a Plan; and
- (d) a copy of this Decision is provided to potential purchasers of Units.

**For the Commission:**  
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William Rice, QC  
Chair  
\_\_\_\_\_  
Glenda Campbell, QC  
Vice-Chair